

Weekend FT

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NEWSPAPER  
of THE YEAR

# FINANCIAL TIMES

Weekend September 12/September 13 1992

EUROPE'S BUSINESS NEWSPAPER

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## Mitterrand illness adds to rumours over his future



Speculation about the political future of François Mitterrand (left) is likely to increase after the 75-year-old French president had a prostate operation. The news comes only nine days before the French referendum on the Maastricht treaty. Mitterrand is said to be in "satisfactory" health but the surprise operation now makes it more likely that he will resign in the event of a No vote. Page 22; Little to sing about in Maastricht, Page 2

**Summit welcomed:** South Africa's President F.W. de Klerk welcomed the decision by Nelson Mandela, African National Congress president, to attend an emergency summit on violence and said they should meet "as urgently as possible". Page 3

**Honda:** Japanese car maker, is to withdraw from grand prix motor racing. Page 22

**Yeltsin warned:** Russian president Boris Yeltsin urged regional leaders to back his economic policies but powerful industrial leaders warned of confrontation unless the government amended its radical reforms. Page 2

**Singapore bases:** The 15 member countries of the Asia Pacific Economic Co-operation group decided to put the organisation on a more permanent footing by setting up a small secretariat in Singapore. Page 3

**New Russian bank:** The European Bank for Reconstruction and Development is taking a 35 per cent stake in a new bank to provide long-term project finance in Russia. Page 2

**Nestlé:** world's largest foods group, reported a 16.5 per cent rise in first-half consolidated net profits to Sfr1.18bn (£481m). Page 10; Lex, Page 22

**Graduate gloom:** Thousands of qualified science and engineering graduates are unable to secure state funding for postgraduate work because of the recession and rising numbers of students seeking such work. Page 4

**Minister may attend TUC:** Gillian Shephard, UK employment secretary, or even prime minister John Major could be invited to speak at next year's Trades Union Congress. As this year's congress closed, several union leaders have floated the idea of inviting a senior cabinet minister next year after the attention created when Howard Davies became the first director-general of the Confederation of British Industry to address the TUC. Page 4

**FT-SE ends week on higher note**

**FT-SE 100 index:**

Hourly movements

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## Japan prepares for 'employment adjustment'

By Steven Butler and Robert Thomson in Tokyo

JAPAN stared a real recession squarely in the face yesterday. The country's leading steel makers forecast sharply lower profits, securities houses announced plans for streamlining and the stock market again lost confidence - along with 4.2 per cent of its value. The bleak mood was drawn in more detail by the Bank of Japan, which released its quarterly economic survey of enter-

prises. The bank found business confidence across the economy sagging badly since its last survey in May, with the manufacturers' index falling from 24 to 37. The outlooks for profits, sales and investment were all down. The only thing rising was inventories, the index for which rose from 32 to 38, pointing to a sharp decline in industrial production in the months ahead. The survey was reinforced by Nippon Steel's forecast of a 74.6 per cent drop in pre-tax profits for the half year ending this

month. Most other steel makers announced similar declines in profits. More important, the industry said it was preparing to seek government subsidies for "employment adjustment". This is the euphemism for transferring workers to subsidiaries, asking workers at idle factories to stay at home until business improves, retraining workers, and, as a last resort, sacking them. Mr Takeshi Noda, economic planning minister, gave clear notice of what lay ahead when he said: "We are one step before

entering into the phase of employment adjustment." Job losses have so far been relatively few. But with consumer demand waning, output falling, inventories growing and profits plunging, many economists say it is only a matter of time before the manufacturing sector contracts with big job losses. Mr Paul Summerville, economist at Jardine Fleming Securities, expects manufacturing employment to decline by 3 per cent in the next year. This means half a million

workers could be out of work. They are unlikely to stay there long, given Japan's steep rise in public investment that will start next year as part of the government's ¥10,700bn (£44bn) emergency economic package announced two weeks ago. But in the meantime many industries will be facing tough times. Trade surplus grows, Page 3 Steel groups slash profit forecasts, Page 10 Honda pulls out of Formula One racing, Page 22

## Smith to face tough line from MPs over Europe

By Alison Smith

MR JOHN SMITH, the Labour leader, received warning yesterday that his authority will be tested over policy on Europe following renewed and outspoken attacks by some of the party's senior spokesmen.

The economic criticism of the Maastricht treaty and the European exchange rate mechanism, which has been the theme of Mr Bryan Gould, the shadow heritage secretary, is bolstered today by a warning from Mr David Blunkett, another shadow cabinet member, that enthusiasm for further European integration could risk an increase in racism and fascism in the UK.

Other Labour MPs, including Mr John Morris, the shadow attorney-general, added their voices to those calling for a British referendum on Maastricht.

While the Labour leadership has come under fire for lacking a clear position on Maastricht and for failing to bring the Euro-sceptics back into line, party officials say that there is little to be gained by refining the party's policy until after the French referendum.

Labour's line both on Maastricht and on the ERM in the circumstances after the French decision will be thrashed out at the meetings of the national executive committee, Labour's ruling body, and the shadow cabinet in the week before the start of the party conference in Blackpool at the end of the month. Mr Smith has already made clear that he does not favour a referendum.

After a week in which Labour Euro-sceptics have, unusually, been more vocal than their Tory counterparts, the issue has gathered steam in the run-up to Labour's conference.

On Tuesday, Mr John Edmonds, the leader of the GMB general union - one of the largest Labour-affiliated unions - led calls at the TUC conference for re-evaluation of sterling, ensuring that the issue is bound to surface when Labour meets in Blackpool.

The forthcoming elections to the national executive committee

Continued on Page 22

## Lowest inflation for 4 years fails to revive pound

By Emma Tucker and Chris Tighe

BRITAIN yesterday moved closer to the government's goal of zero inflation as official figures showed that prices in the 12 months to August rose by 3.6 per cent, the smallest annual increase for more than four years.

But the good news on inflation failed to boost the flagging pound, which closed last night less than 1½ pence above its DM2,770 floor in the European exchange rate mechanism.

As Mr John Major, the prime minister, welcomed the "drop in inflation, Tarmac, Britain's biggest construction and materials group, gave a harsh reminder of the country's current woes. The company said it was to close four plants and cut brick and concrete block production sharply in response to the construction industry's problems.

The 0.1 per cent rise in retail prices last month was the smallest increase in any August since 1982. The 3.6 per cent inflation rate in the 12 months to August compared with 3.7 per cent in the year to July.

The rate of price increases excluding mortgage interest payments - often taken as a measure of underlying inflation - dropped to 4.2 per cent from 4.4 per cent, the lowest annual figure since April 1988.

According to the Central Statis-

tical Office, which released the figures, many of last year's price increases were not repeated last month at the end of a difficult summer for retailers.

Mr Major, who has put the defeat of inflation at the heart of his economic policy, said Britain was making the "most substantial progress in inflation seen for many years".

At a press conference in Edinburgh he said: "We have now got inflation down to levels it has only touched briefly in the last

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■ Major gambles his authority on the pound

■ Tarmac to close four factories

Page 5

■ Major to preserve Scottish traditions

Editorial Comment .. Page 6

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quarter of a century. What is different is that it looks as though this is a secure reduction of underlying inflation that will be sustainable in the future."

Mr Major said low inflation would improve Britain's competitive position and bring more jobs and greater prosperity.

On Thursday, the Confederation of British Industry said most retailers did not expect consumer confidence to improve before the end of the year while official figures yesterday showed a 5 per cent fall in construction output in the three months to June 30, compared with the same period a year ago.

Also this week, several corporate leaders, including Sir Clifford Chetwood and Sir Owen Green, chairmen of Wimpey and BTR respectively, urged the government to boost demand.

Mr Alan Sugar, chairman of Amstrad, the computer company, yesterday added his voice, saying the government should do more to encourage consumer spending. "I think they should switch attention from inflation to expanding the economy. We have to encourage people to spend again."

Mr Gordon Brown, the shadow chancellor, said the government should be taking action to revive the economy. "When Japan, with 2 per cent inflation and 3 per cent unemployment, takes urgent measures to revive the economy, Britain with 10 per cent unemployment and entering the third year of recession should be acting now," he said.

Shares shrugged off the pound's lacklustre performance, encouraged by the better than expected inflation figures. The FT-SE 100 share index closed up 30.3 on the day at 2370.9.

## Brussels expected to oppose ICI swap deal with Du Pont

By Tony Jackson and Guy de Jongh

EUROPEAN Commission merger authorities appear ready to oppose a swap of chemical assets between Imperial Chemical Industries of the UK and Du Pont of the US.

The deal is regarded by ICI as an important test case in the rationalisation of Europe's chemical industry. Announced in April, it involves ICI swapping its worldwide nylon interests for Du Pont's acrylic business and £250m in cash.

The Commission's merger task force is expected to recommend to Sir Leon Brittan, the competition commissioner, that the deal be blocked in its present form because it would give Du Pont a dominant position in nylon carpet fibre.

The task force has found that Du Pont's EC market share would be 35 per cent by volume and 43 per cent by value.

The task force's opposition to the deal, however, has split the EC advisory committee on merger cases, where its view is

supported by only a narrow majority of governments. The Commission's industry directorate favours the deal.

Brussels officials suggested yesterday that the unusually wide split on the committee could make it harder for Sir Leon to ask his 16 fellow commissioners to veto the transaction. A decision is expected by the end of this month. The official deadline is October 9.

The carpet fibre business accounts for only 20 per cent of ICI's nylon assets. In theory, the task force's objections could be met by excluding carpet fibres from the deal.

This might prove too expensive to contemplate, since nylon fibre is produced at all three of ICI's nylon plants in the UK and Germany. It is not thought that any undertakings short of divestment would satisfy the merger authorities.

ICI argued that the relevant market against which the deal should be measured was that for artificial carpet fibres as a whole, including polypropylene fibres.

It is claimed that polypropylene has increased its share of this market from 14 per cent to 35 per cent over the past 10 years. The argument has been rejected.

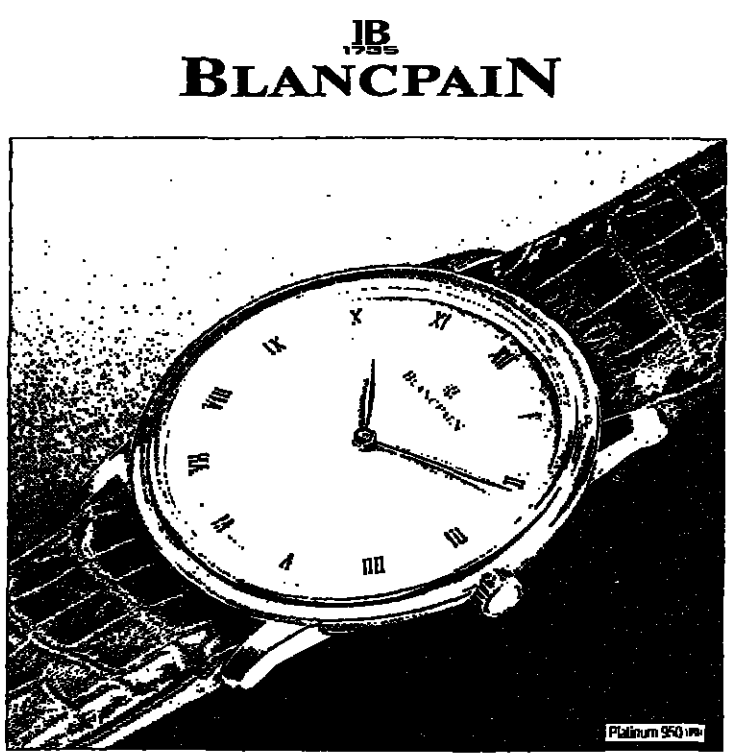
Some of ICI's supporters in Brussels concede that the deal raises competition issues in nylon fibres. But they argue that these do not warrant thwarting an otherwise sensible rationalisation of assets.

The deal has also to be passed by the US competition authorities, since it involves ICI becoming the world's largest supplier of acrylic and the second biggest producer in the US. This is expected to pose fewer problems than in the EC, since the market shares involved are smaller.

A US ruling is not expected before the end of the year. Since the EC merger regulation took effect two years ago, the Commission has blocked only one of 120 mergers notified to it, the proposed takeover of De Havilland of Canada by French and Italian state aerospace companies.



Man in the middle: John Major goes on a walkabout in the St James Centre, Edinburgh. After several engagements yesterday he is spending the weekend with the Queen at Balmoral



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## NEWS: INTERNATIONAL

# Germans warned of health spending cuts

By Quentin Peel in Bonn

GERMANY has too many doctors and too many hospital beds, and consumes far too many medicines, Mr Horst Seehofer, the health minister, declared yesterday.

As a result, government subsidies for the health service will almost double in the current year, from DM5.5bn (€1.97bn) in 1991 to more than DM10bn in 1992, he warned the German parliament.

The government is demanding that the pharmaceutical industry, hospitals and the medical profession bear the brunt of a drastic savings plan to cut state subsidies by DM1.1bn.

Figures published yesterday showed that west Germans in 1990 spent no less than DM304bn on their health, or almost 10 per cent of gross national product. Per capita, that meant spending DM4,770, an increase of 9.7 per cent over 1989.

Mr Seehofer insisted yesterday that the health service and pharmaceutical industry must share cuts of DM8.2bn, while patients will contribute

The German government yesterday announced the establishment of four working groups to bring together government, industry, trade unions, the federal states and local government in preparing a "solidarity pact" to revive the German economy. Quentin Peel reports.

The groups will consider measures to improve the competitiveness of German industry and to finance the reconstruction of eastern Germany.

DM3.2bn in increased charges - in spite of a furious national campaign against the plan by both doctors and dentists.

However, he has agreed to set up working groups both with doctors' organisations, and with the opposition Social Democrats, in an attempt to reach consensus on the details of the plan.

The plan tabled in the Bundestag provides for a 5 per cent cut in pharmaceutical prices from next January, strict limits on the quantity of medicines doctors may prescribe, and a limit on the number of new doctors to be registered

with the state-subsidised health insurance schemes.

There would also be increased charges payable by patients for hospital care, and increased prescription charges.

Mr Seehofer said Germany had the second highest density of doctors per capita in Europe. "In the next eight years we expect a further 22,000 doctors to be registered, and yet probably we will not get any healthier," he said.

As for medical prescriptions, he said that neighbouring Denmark, with just as high a life expectancy as Germany, consumed only one fifth of the medicines per capita.

He also said far too many patients who could be cared for at home, or be treated as outpatients, were kept in hospital. The result of Germany's health boom was that contributions to health insurance now consume 13 per cent of average incomes, and would rise to 15 per cent by the end of 1994 without the savings planned.

Mr Seehofer's offer of talks was welcomed by the Social Democrats, but the opposition is determined to limit the effect on patients.

Treaty's meaning in dispute in France's second city, writes William Dawkins

# Marseillaise find little to sing about in Maastricht



EXACTLY 200 years ago, the people of Marseilles first heard a performance of the republican hymn which France was to adopt as its national anthem.

The port city's first performance of the Marseillaise was sung at a banquet in an elegant neo-classical hall in the rue Thubaneau. The building, now filthy and peeling, is today used as a Turkish bath, run by Nol-el-Dine Benaziza, a sad-eyed, 34-year-old Algerian.

In a way, the building symbolises the changes facing Marseilles. For fears of the death of a republican France of the type portrayed in the Marseillaise, growing unemployment and the problems of a big immigrant population are at the centre of Marseilles city dwellers' concerns as they approach the referendum on European monetary and political union in just over a week.

The Hamam, opened by Mr Benaziza's family during the second world war, serves the Moslem population of a squalid ghetto in the centre of France's second largest city, where a fifth of the population are immigrants.

The rue Thubaneau, a gloomy chasm with cracked and bulging walls, is one of half a dozen streets in the Porte d'Aix quarter that has been left out of the city authorities' renovation drive, a reminder of the deep divisions which have emerged in recent years between the French and the immigrant population.

Mr Benaziza has no right to vote, but he wants the Maastricht Treaty to go through because he thinks it will improve security in his area, a centre for crime and prostitution. Marseilles is unlikely to improve the policing of Marseilles, but Mr Benaziza is not alone in having his own interpretation of the treaty.

Among those who do have

the right to vote, by contrast, suspicion of Maastricht and its consequences runs high. A typical example is Mr Florentin André, a supporter of the extreme right-wing National Front (FN), who drives a taxi around the Porte d'Aix area.

A fake Rolex glitters on Mr Florentin's wrist as he fulminates: "We have had enough of these immigrants. They don't work, they take our social security payments, then marry a French person to increase their rights. Believe me, I know. We drivers see the city day and night - it is as if we were the concierges of the city."

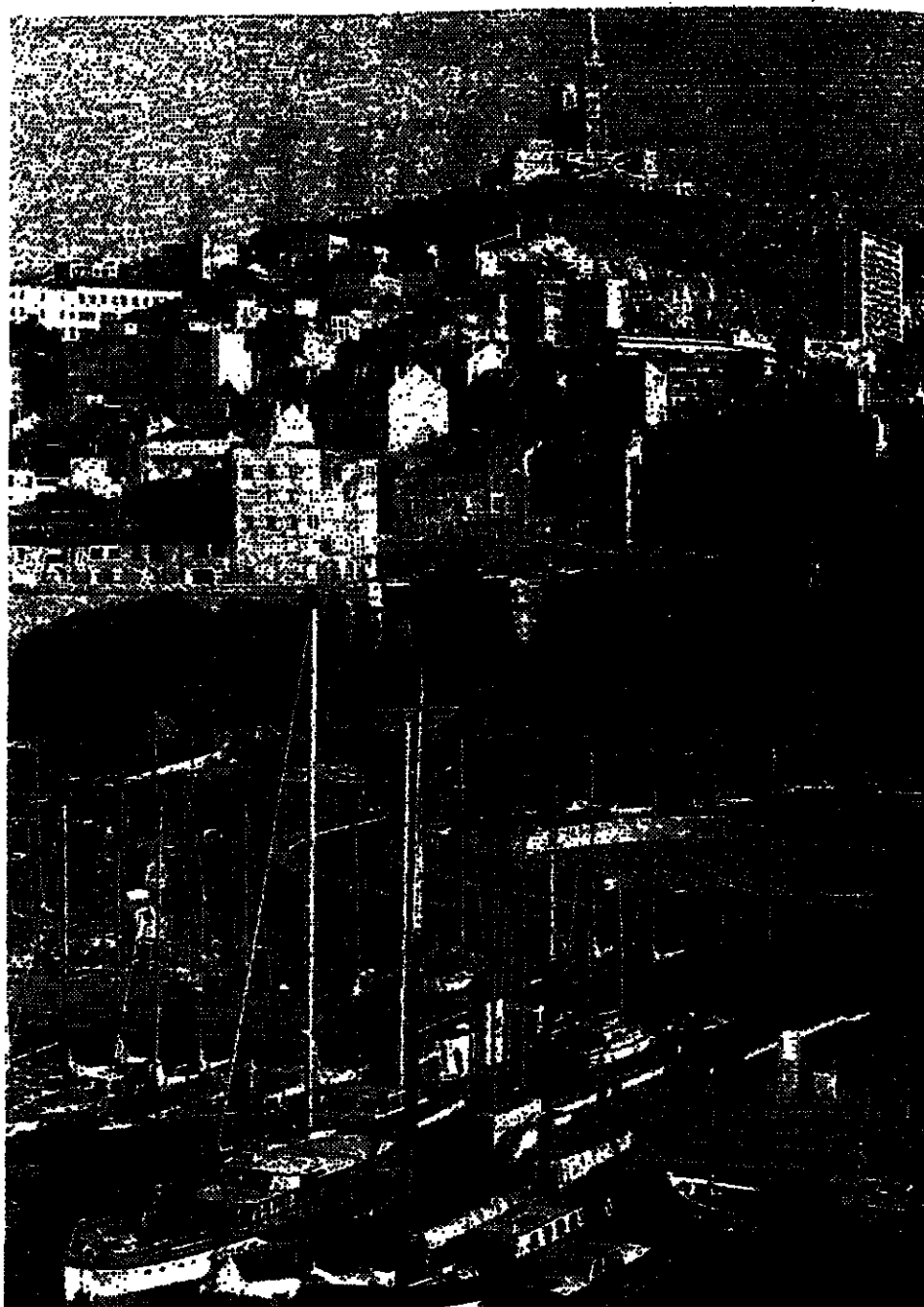
Mr Jean-Claude Remedjian, his brother-in-law and another FN supporter, adds: "I will vote No twice, with both my right and my left hand."

They speak for an important minority in Marseilles, given that the FN won nearly a quarter of the vote in the Provence Alpes Cotes d'Azur region of which the port city is the capital, in last March's regional elections.

On both sides, French and immigrant, feelings about Maastricht are confused. A striking number do not know, or even want to know, what the treaty is about. Lucie Perault, 67, a Gaullist voter who runs a fruit and vegetable stall in the Marché des Capucins, says she has not read the treaty but will vote no because she thinks the project will drive up unemployment. She is worried about her university-age grandchildren, who cannot find jobs.

A group of Senegalese factory workers, taking a morning smoke outside their hostel in Bellevue (an unsuitable name for this ugly run-down suburb), confess to having no clue what the fuss is about, even though some of them have lived in France for 30 years.

Down in the port, France's largest, people appear a little better informed. A good example is Mr Christian Savino, who reads a circular on money-



Notre Dame de la Garde overlooking the Old Port of Marseilles

union in his office at a dockside warehouse. Competition from cheaper ports across Europe has hit Marseilles hard in recent years, but Mr Savino feels confident that his family's fruit transport business can face the future.

"I am for the opening of barriers. I don't see why the port should not profit from it," he says. "The problem is that the French government campaign has been handled badly and come too late. People round here don't believe what the politicians say any more."

A few hundred yards away, a group of dockers loading containers on a Corsican cargo

ship appear as divided on the treaty as the rest of the French public.

"It is just for capitalists. There is nothing in it for us," says Mr Alexandre Hettak, a left-wing voter in charge of a team of 20 dockers. "It should bring social conditions to the highest level in Europe, but instead conditions will fall to the lowest level."

As a mark of how deeply Marseilles' dockworkers feel their livelihoods to be threatened, it is one of the few ports still to hold out against the French government's attempt to reform its 45-year-old dock labour scheme in line with

cheaper European competition. Mr Hettak's colleague, Mr Jean-Pierre Roche, is by contrast a fervent Maastricht supporter. More growth in competition for the port, closer European economic integration - these things are inevitable, he argues. "We might as well share round the cake, otherwise we will all go hungry," he adds.

In Marseilles, as in France generally, the referendum campaign has sparked off an intense but deeply muddled debate. Among the colourful cosmopolitan crowds milling around the harbour front, the outcome is evenly balanced.

# Russia and Ukraine to make big grain purchases

By John Lloyd in Moscow

RUSSIA and Ukraine, the largest of the former Soviet states, will make big grain purchases on the world market this year - though these are expected to be down on last year following a better harvest than originally forecast.

Russian President Boris Yeltsin told a conference of regional and local leaders in Cherkassk, southern Russia, that the grain harvest would be 110m tonnes, requiring imports of 7m-15m tonnes - a large drop on last year's level of 25m tonnes. However, General Alexander Rutskoi, the vice-president responsible for agriculture, told journalists on Wednesday that the imports required would be 10m-15m tonnes. He did not set a level on the harvest itself.

The figure quoted by Mr Yeltsin follows a briefing from Mr Leonid Chechinsky, the

Grain Board chairman, to the effect that the harvest would be a good one and that the yield per hectare would be some 2.1 tonnes, higher than for the past five years.

However, a western agricultural expert in Moscow says that the break-up of the Soviet Union and the increasing difficulties faced by transport services put the storage and distribution of the grain at risk.

Russia has made desperate efforts to secure hard currency to continue repaying agricultural credits advanced by Canada - second only to the US in exports of grain, with an average of 5m tonnes a year. Canada, which extended \$81.5bn (\$22m) in credits to the former USSR, cut off shipments in August after non-payment of arrears, but has since resumed exports and says it will continue to offer credits this year.

Mr Vitold Fokin, prime minister of Ukraine, said yesterday

that Ukraine would again need to import 11m tonnes of grain, even though the 40m tonne harvest expected is above average. However, a report from the Russian Information Agency said state farms and peasants were getting round the official embargo on the export of grain by bartering it for goods and selling it to exchanges outside Ukraine.

State purchases of grain from the farms are still running below required levels, in spite of increases in the prices paid to an average of Rb212,000 a tonne - with hard wheat commanding up to Rb24,000 a tonne in some areas, notably the Urals.

Mr Alexander Romashko, a senior official in the Agriculture Ministry, said yesterday purchases were now proving more difficult as farms hoarded their grain in expectation of still higher prices towards the end of the year.

# New bank to finance Russian projects

By Peter Norman, Economics Correspondent

THE European Bank for Reconstruction and Development is taking a 35 per cent stake in a new bank to provide long-term project finance in Russia.

The EBRD board this week approved participation in the Russian Project Finance Bank, a Moscow-based institution which will provide much-needed corporate finance and project finance in the former Soviet republic.

The bank will have an initial capital of \$6m, which will rise to \$100m (£50.7m) after two years. It is starting operations with a staff of 30, some of whom are not Russian experts seconded by western banking institutions. The bank should employ 125 people by the end of its second year.

Ten Russian banks and enterprises will hold stakes amounting to 49 per cent of the bank's capital, while the remaining 16 per cent of the bank will be reserved for the bank's staff under a share ownership scheme. The EBRD hopes to attract western institutions as investors in the bank and will share back its holding accordingly over time.

The project is the brain-child of Mr Sergei Kouyachev, aged 37, a former managing director of the Moscow Narodny bank in London, who will be the bank's first president. The project has involved a significant international effort. The European Commission will provide staff training worth around £50m (£5.1m).

As well as providing medium- and long-term credits, the new bank will carry out treasury and capital market operations.

The bank's first chairman comes from the EBRD. He is Mr David Dexter, head of the financial institutions group of the EBRD's merchant banking division. He joined the EBRD recently after working for many years on eastern Europe for Citibank, the US bank.

# Yeltsin warned to ease up on reform

By Layla Boulton in Moscow

MR Arkady Volysky, the head of Russia's powerful state enterprise lobby, yesterday presented President Boris Yeltsin with his most explicit ultimatum yet to go easy on radical reforms or face the full might of factory directors.

But while he accepted that hyperinflation could result from his demands, Mr Yeltsin yesterday hit out at "supporters of cheap credit and unrealistic social programmes" who were pushing the country into "this abyss".

Mr Yeltsin also attacked the policies advocated by Mr Viktor Geraschenko, acting central bank chairman, saying the central bank should either be made independent of parliament or put directly under the government's control.

Mr Volysky, also a leader of the Civic Union opposition group which includes the country's vice-president, said that unless he got a "positive response" to a 13-point list of demands by November, he would convene a conference of industrial managers.

Apart from reducing the tax

burden on enterprises to stem a fall in production, the demands included the creation of integrated groups of companies rather than monopolies, price and wage controls, and cross shareholdings between enterprises "as in Japan".

Confused comments from Prof Yevgeny Yasin, the Civic Union's chief economist, who also advises the government, were revealing of the chaos of a group which calls itself a constructive opposition.

Prof Yasin said the government had to "save" industry from devastating rationalisation but must also tighten its financial policy to avoid hyperinflation. He said investment was vital but could only take place with inflation down to 3.5 per cent a month - a level, coinciding with International Monetary Fund targets, which he has described as impossible to reach this year.

His deputy, Mr Sergei Alexashenko did not agree that hyperinflation was to be avoided at all costs. "Argentina was able to invest in conditions of hyperinflation and so would we."

# Danish opposition offers compromise plan

By Hilary Barnes in Copenhagen

A FORMULA which could resolve the impasse caused by Denmark's "No" to the Maastricht treaty has been put forward by the opposition Danish Social Democratic party (SDP).

The minority Conservative-Liberal coalition needs the support of the SDP - the largest party in the eight-party Folketing (parliament) - for any agreement with the Community.

The SDP's plan would require a special arrangement under which Denmark would participate in European union with exemptions in important areas such as monetary policy and defence.

In particular, the SDP blueprint comes out against Danish membership of the Western European Union, the nine-member European security group conceived as eventually organising

common European defence.

The proposals, to be formally approved at the SDP's quadrennial congress tomorrow, are likely to be a crucial ingredient of any deal over Denmark's future relationship with the EC. Suggesting substantial common ground between government and opposition, Mr Uffe Ellemann-Jensen, the foreign minister, described the SDP plan as "very realistic". Mr Poul Schlüter, the prime minister, said: "It goes in the right direction."

The Danish proposals, which will be worked out in detail later this autumn, have been made necessary by Denmark's rejection of the treaty in its referendum on June 2.

Assuming that France approves the treaty on September 20, the EC will need to work out a deal with Denmark - involving a new referendum next

year - before the treaty can go into effect.

Many of the SDP's reservations concern key areas of future EC policies. However, provided France votes Yes, the Community is likely to show considerable willingness to countenance Danish "opt-outs" to allow a face-saving Maastricht compromise.

As well as opposition to common European defence - laid down under Maastricht as a future goal of inter-governmental co-operation - the SDP document reaffirms Denmark's refusal to commit itself to a common European currency.

During treaty negotiations, Denmark already reserved its position on economic and monetary union (Emu), by making the participation in the final phase of Emu conditional on a further referendum.

Among other demands, the SDP favours an assurance from the EC that Denmark decides its own social welfare policies. It wants clarification of the "subsidiarity" principle, laying down that decision-making should be made at the lowest level of government.

It also seeks safeguards against erosion of influence of the small member states in EC institutions.

Additionally, the SDP also rejects the concept of European citizenship - put forward in the Maastricht treaty in connection with voting rights in countries of residence of citizens of other EC members.

However, since Denmark already allows foreigners to vote in its local elections after three years' residence, this SDP stipulation is unlikely to represent an important obstacle to Community acceptance.

# Cautious EC response

In talks between Denmark and the British presidency.

Talks will gather pace when the Danish government publishes its White Paper on Maastricht after the French referendum on September 20.

The key question is whether the EC and Denmark can agree on how to proceed before January 1, when the treaty is to come into force. Without an agreement - or at least a wide-ranging consensus at the Edinburgh summit of the

12 members in December - Denmark risks being left in legal limbo.

EC officials said some of the Danish proposals, notably the affirmation that they would not send soldiers to serve in a future European army, were uncontroversial, since this was not required under the Maastricht treaty.

Brussels officials said negotiations between the 11 members and Denmark were bound to become tense if the French approve the Maastricht treaty.

EC states such as Spain and Italy will want to press ahead with ratification, while the Danish government wants more time to prepare public opinion.

"The timing is extremely delicate," said a senior EC official.

Another difficulty identified in Brussels is Britain's sympathetic attitude to the Danish predicament. The UK government has indicated that it will not lay the treaty before parliament until it is clear how Denmark intends to address the problems raised by last June's No vote. This again risks delaying implementation of Maastricht until after January 1.

# Panic shuffles his cabinet to weaken Milosevic



By Our Foreign Staff

MR Milan Panic, Yugoslavia's prime minister, yesterday appointed five new cabinet ministers in an effort to strengthen the federal government at the expense of Serbian President Slobodan Milosevic.

Mr Ilija Djukic, the ambassador to China, was appointed foreign minister, replacing Mr Vladislav Jovanovic, who on Thursday resigned after accusing Mr Panic of betraying Serbian interests. Mr Jovanovic was seen to be carrying out Mr Milosevic's instructions. The other appointments included the posts of finance, agricultural and transport ministers.

The sackings were the latest in a series of moves by Mr

Panic to weaken Mr Milosevic's power base. The Belgrade-born California businessman has so far wrested control of the federal army and the Interior Ministry from the Serbian president.

Mr Cyrus Vance and Lord Owen, co-chairmen of a Yugoslav peace conference, yesterday met Mr Dobrica Cosic, president of the unrecognised Yugoslavia, which now comprises only Serbia and Montenegro, and Mr Panic.

They later met top military officials and Mr Milosevic, who is seen by the international community as the chief instigator of carnage in Bosnia-Herzegovina.

After the meeting, Mr Milosevic said he was optimistic of a quick end to the bloodshed.

"It is important that the [Geneva peace] conference has assumed a very objective course... leading us to hope

that the crisis will be solved much faster than we had anticipated," he said.

"The time for war has long since passed and the time for coming together" of the warring factions has arrived, Lord Owen told reporters. "I believe Mr Milosevic is a very crucial person in that kind of future," he added.

Mr Panic reiterated his intention to halt the bloodshed in Bosnia as soon as possible.

Reuters reports from Rome: The commander of Nato forces in Europe said yesterday peace would return to Bosnia only through a political settlement and criticised those campaigning for military action.

General John Shalikashvili, an American, said in Toronto: "We will not advance the cause of peace if we continue to insist on a military solution to the fighting in Bosnia-Herzegovina."

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# US election is Clinton's to lose

Jurek Martin assesses the first week of the presidential campaign proper



A SENIOR adviser to Mr Bill Clinton, speaking delicately of the record this week, said: "I'm sure George Bush can't win this election now, but we can still lose it." This assessment would probably find agreement, also unattractively, in the Bush campaign. The first week of what might be described as the home stretch of the campaign, beginning on Labour Day last Monday, offered plenty of hints as to the tactics of both sides.

Two issues dominated the week - the economy and the truthfulness of both candidates. On the first, there is a universal assumption that the economy itself cannot come to Mr Bush's rescue. If the third quarter GNP returns to be announced a week before election day, show growth at less than 1 per cent, as may happen and as the Clinton camp, looking for last-minute ammunition, not so secretly hopes, then that will put the seal on what is already evident.

It explains why the thrust of President Bush's economic address in Detroit on Thursday was all about the

future. It was also couched in general terms except for its explicit linkage of US performance to the growth of the global economy and free trade. Mr Bush said afterwards this was the most important aspect of his speech.

It was, in essence, an attempt to turn weakness into strength. Never mind the present, Mr Bush was saying, your future is in better hands with a man who understands the global picture than with one who would merely impose bigger domestic government and higher taxes.

It did not exactly help the presentation that the White House made an awful hash of clarifying one of the president's more strident promises on Wednesday - not to raise taxes "ever, ever", a phrase that will surely haunt him in the weeks ahead as much as his 1988 "read my lips, no new taxes". But at least Mr Bush was saying something positive about the economy. His surrogates were also saying a lot of negative things about Mr Clinton's character, specifically his not always consistent explanations of how he avoided military service, and this, in turn, puts the Democratic candidate's team on the spot.

It wants the debate to remain firmly focused on the economy. This is what

Mr Clinton spent a lot of the week doing, talking about how "to end welfare as we know it" - through a \$24bn four-year programme of tax credits and private and community sector employment - and about retraining, particularly in the defence industry. His campaign is convinced the electorate wants to hear what precise policies are in store, always a Clinton strength.

**Bush's promise not to raise taxes "ever, ever" will surely haunt him in the weeks to come**

Some advisers think that to counter Mr Bush's incessant labelling of their candidate as a man who enjoys increasing taxes, much more should be heard of his proposals to lower them on the middle classes and about how he would reduce the federal deficit, on which he is said privately to be an economic hawk.

But that is not their great fear. Their fear is that he will be side-tracked, as he was briefly this week, into a slanging match, fending off

charges about the draft with counter-blasts at Mr Bush's alleged involvement in Iran-Contra and the re-arming of Saddam Hussein's Iraq. The concern here is twofold: that to engage in such exchanges will only highlight Mr Clinton's character and the suspicion that past foreign entanglements by the president do not really interest the public. Absent a smoking gun, neither Iraq nor Iran-gate yet equals Watergate, lying to Congress is widely seen as routine.

The Bush week, in both its positive and negative respects and excepting the tax pledge mess, bore all the hallmarks of Mr James Baker, now in full control of the campaign. Mr David Broder, astute political columnist of the Washington Post, complained bitterly that it was typically Bakeresque that "the public must lose its chance to hear a serious discussion about the nation's future".

Mr Baker certainly seemed to have put an end to a lot of presidential talk about traditional family values, a non-winner according to all the polls. It was surprising, therefore, that Mr Bush took himself off to Virginia last night for a speech to the Rev Pat Robertson's Christian Coalition, which thinks that gays of both sexes

are conspiring with liberal pervers to undermine the nation's moral fibre. Mr Robertson, however, might be good at getting out the conservative vote.

The final Baker touch, so irksome to Mr Broder, was his prevarication over the format of the upcoming presidential debates. The suspicion is that he does not want Mr Bush exposed to a one-on-one with Mr Clinton in the presence of a single self-effacing moderator who would prefer the presence of grandstanding journalists asking outlandish "character" questions because they pose a greater potential threat to Mr Clinton.

There will be two or three debates in the end, because Mr Bush needs them. Ms Elaine Kamarck, who advises Mr Clinton, probably got it right when she said the announcement of debates tended to turn the public off the campaign in the days before they take place. Mr Baker, she pointed out, needed to keep Mr Bush moving, and on the offensive, all the time. Freezing opinion with him ten points behind did not make sense. Such was not the characteristic of the first week. With both candidates invoking President Harry Truman at every turn, it hardly could have been.



Running for president Clinton went jogging yesterday amid fears he will come off worse in a slanging match with Bush

## NEWS IN BRIEF

### Bush seeks campaign boost in F-15 sale

By George Graham in Washington

PRESIDENT George Bush flew to St Louis, Missouri, yesterday to tell workers of his backing for the sale of 72 F-15 fighters to Saudi Arabia at the McDonnell Douglas plant which builds the aircraft.

Mr Bush had already hinted that he was likely to approve the sale, but chose to turn the formal announcement into a rally for his election campaign, as he did last week when he reversed his policy on arms sales to Taiwan by agreeing to the sale of F-16 fighters built by General Dynamics in Texas.

Missouri, though it has fewer electoral votes than Texas, is similarly viewed as critical to Mr Bush's chances of winning re-election. Although Israel and its supporters in the US have been the target of the sale of F-15s to Saudi Arabia, administration officials say they do not expect strong opposition from the Israeli government.

### US wholesale inflation falling

US producer prices rose just 0.1 per cent in August, the Labor Department reported yesterday, cutting the rate of wholesale inflation over the last 12 months to 1.5 per cent, George Graham reports. Lower fuel prices offset a 0.7 per cent jump in food costs, as bad weather in California, New York and New Jersey boosted vegetable prices by 30 per cent.

### Tourism deal on disputed islands

Russia has made its first territorial "concession" over the disputed South Kuril Islands by leasing 578 hectares to a Hong Kong company which wants to build a tourist complex, Leyla Boulton reports from Moscow.

Mr Viktor Shrenko, deputy governor of the Sakhalin and Kuril region, who is trying to develop the four islands' economic potential despite the row with Japan, said a company called Carlson and Kaplan had paid \$250,000 for the 50-year lease. They had promised to equip Shikotan island with hotels, a casino, and riding, cycling and shooting facilities - and its first proper road.

The concession could further strain relations with Japan, which has withheld any finance for the islands until they are returned to it - a hope that took a major blow this week when President Boris Yeltsin cancelled his visit to Tokyo.

### Burma's military rulers lift curfew

The Burmese military government has withdrawn the four-year-long night curfew order with effect from yesterday, saying that the improved law and order situation in the country has rendered the restriction no longer necessary, Chit Tun writes from Rangoon.

## Japanese economy heads firmly for the doldrums

By Steven Butler in Tokyo

THE Bank of Japan yesterday moved quickly to dampen expectations of a cut in interest rates after the central bank's quarterly survey showed a severe deterioration in business conditions.

A bank official said the Tankan, or short term economic survey, was in line with central bank expectations and would not prompt a review of monetary policy. The Tokyo Stock Exchange, which was sharply down the day before, fell further following publication of the report.

The Nikkei average finished the day down 900.78 points at 18,107.69.

The survey painted the picture of a deeply depressed economy with few signs of an immediate turnaround.

The closely-watched index of business conditions in manufacturing fell from -24 in May to -37 last month.

Just as important, the index for non-manufacturing plunged from 1 to -13, reflecting sharp deterioration in construction, retailing and other services.

The survey was conducted after the central bank cut interest rates by half a point to 3.25 per cent in late July, but before a ¥10,000bn (\$44bn) emergency economic programme was announced on August 23.

Excess stock levels continued to build during the quarter, with the index of inventories rising from 32 to 38.

The rise points to a further steep decline in industrial output in the months ahead as companies try to reduce stocks

of unsold goods at a time when consumer spending is cooling rapidly.

A central bank official said that company efforts to reduce stocks would be completed by the end of the year, although the bank has been consistently over-optimistic this year about the pace of inventory adjustment.

Pre-tax profits are expected to be down by 12 per cent in the current fiscal year for manufacturing companies, and 8.5 per cent for non-manufacturers.

Manufacturers are expecting a 30.2 per cent decline in the first half of the year, followed by a 10.4 per cent rise in the second half.

The central bank said the rise was predicated on a recovery of the economy expected to begin in the new year.

Large enterprises revised capital spending plans downward by 0.6 percentage points during the quarter, with planned spending down by 2.3 per cent this fiscal year compared to last year.

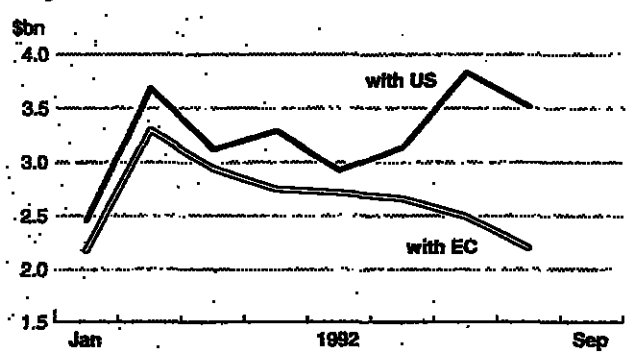
Manufacturing investment is expected to be down by 10.4 per cent, while non-manufacturing investment, excluding public utilities will be flat.

This will be compensated for partly by a planned 7.8 per cent rise in public utility investment.

Ratios of financial liquidity declined, although the central bank said these were still high by historic standards.

Small enterprises planned to slash capital spending by 22.5 per cent this year, although the size of the decline is expected to be more moderate as companies finalise plans.

### Japan: visible trade balance



Source: Otsuwa

Meanwhile, Japan's exports to the EC rose 10.2 per cent to \$4.7bn and imports edged 0.3 per cent higher to \$2.5bn.

The largest increases in exports to the EC were in cars (up 36.7 per cent), integrated circuits (up 18.3 per cent), office machinery (17.7 per cent), and passenger cars (15 per cent).

Each of these Japanese industries is reporting slower sales and falling profits in the domestic market.

Trade with China continued to expand sharply, with exports from Japan 26.6 per

cent higher and imports rising 29.7 per cent. Another sign of increased demand from the fast growing southern Chinese economy was a 30.9 per cent increase in exports to Hong Kong.

The consistently large increases in trade with China see that country on the verge of becoming Japan's second largest trading partner, a position that it is likely to consolidate in coming months. A year ago, China was the fifth largest partner, behind the US, South Korea, Germany and Taiwan.

## Asia and Pacific bloc agree secretariat

By Peter Ungphakorn in Bangkok

THE 15 members of the Asia Pacific Economic Co-operation group (APEC) have decided to put the organisation on a more permanent footing by setting up a small secretariat in Singapore.

The decision was reached in Bangkok, at the group's fourth annual ministerial meeting, which ended yesterday. The ministers also agreed a programme to support regional trade liberalisation and issued a statement calling for a speedy end to the Uruguay Round of world trade talks, held under the General Agreement on Tariffs and Trade (GATT).

APEC, set up in 1989, comprises the US, Canada, Japan, South Korea, China, Hong Kong, Taiwan, Australia, New Zealand and the six members of the Association of South East Asian Nations - Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Members say its main value has been its regular consultations and studies on matters such as compiling regional trade data.

The decision to site the secretariat in Singapore is partly to quell worries in south-east Asia that the smaller economies will be dominated in APEC by Japan, the US and other economic powers.

The Uruguay Round statement issued yesterday includes calls for the major economies in particular to settle their differences, and for countries such as the US to refrain from taking unilateral retaliation against countries deemed to be trading unfairly.

Mr Gareth Evans, Australia's foreign minister, said yesterday he had been assured by US officials that the Bush administration would push for a Uruguay Round settlement some time between the French referendum on Maastricht and the US presidential elections in November.

## De Klerk calls for early summit with Mandela

By Patti Waldmeir in Johannesburg

SOUTH Africa's President F W de Klerk yesterday welcomed the decision by Mr Nelson Mandela, African National Congress president, to attend an emergency summit on violence.

"What is now of critical importance... is that we should meet as urgently as possible," Mr de Klerk said after meeting senior ministers. He said the constitutional development minister, Mr Roelf Meyer, would discuss a time and venue for the meeting with ANC secretary-general Mr Cyril Ramaphosa.

Mr Ramaphosa said on Thursday the ANC would refuse to attend such a meeting until the government had taken steps to meet certain conditions. But he left open the possibility of negotiating around the conditions. These included releasing 400 prisoners whom the ANC claims are political prisoners, as well as banning the carrying of dangerous weapons in public and implementing measures to prevent the use of single-sex hostels to launch attacks on surrounding black townships.

Yesterday government officials rejected the ANC conditions, but observers nevertheless expected both sides to find a way of allowing the talks to take place.

The ANC and the government seem set for a test of wills over these issues, which had been under discussion for some weeks before the Ciskei massacre. The ANC judges that its bargaining position has been strengthened after the events in Ciskei, which have been condemned worldwide, and that it can use this added leverage to force an agreement on the release of political prisoners.

The government is hoping to enlist the international community to pressure the ANC into attending the violence summit, without making any

further major concessions on the prisoners.

Action cannot be delayed indefinitely, however, as the ANC made clear yesterday it would pursue its campaign against anti-ANC homeland leaders by marching next weekend on the capital of the Bophuthatswana black homeland, ruled by President Lucas Mangope, one of the organisation's most bitter rivals.

ANC officials said they would adopt a less confrontational strategy than in Ciskei, where 28 people were shot dead by security forces after marchers deviated from their permitted route. But the potential for violent conflict in Bophuthatswana remains high.

Meanwhile business welcomed the ANC's decision to attend talks on violence. "Even a conditional positive response by the ANC alliance to renew high-level negotiations could have an early favourable impact on business confidence," South African Chamber of Business Director Raymond Parsons said in a statement.

● The South African Defence Force yesterday said the armed wing of the ANC was plotting to kill Ciskei homeland leader Brigadier Oupa Gqozo.

The ANC denied the allegation, saying the organisation was "in no way planning to assassinate Gqozo. We reject the charge as false propaganda."

General George Meiring, the South African army chief said the ANC, which formally suspended its armed struggle when it was legalised in February 1990, appeared to be stockpiling arms in the region. The cache included a rocket launcher and Ciskei security force uniforms, he said.

"Since the tragedy (on Monday), Ciskei is experiencing violence on a scale not seen in a long time," General Meiring said. "At least 15 houses belonging to members of the Ciskei defence force and police have been burned."



Protestors outside China's unofficial embassy in Hong Kong yesterday, demanding the release of dissidents in China

## Hong Kong speculates over Patten's flying visit

By Simon Davies in Hong Kong and Alexander Nicol in London

MR Chris Patten is to make a flying visit to London on Tuesday for discussions with Mr John Major, the prime minister, on the issues he plans to raise in his first key policy address as Hong Kong's governor on October 7.

Mr Patten's planned speech has generated considerable speculation in the colony, particularly on the approach he will take to the development of democracy in the run-up to the transfer of sovereignty from Britain to China in 1997.

Some officials expect him to announce changes to Hong Kong's political institutions and a widening of the scope of democracy, though perhaps without altering the pace, previously agreed with China, of direct elections to the Legislative Council.

Mr Patten's visit was arranged at short notice at his request, according to Hong Kong government officials. He

will arrive on Tuesday morning and leave for Hong Kong the same evening. The meeting was interpreted positively in Hong Kong as underlining Hong Kong's rising position on the agenda of the government in London.

Negotiations with China on the financing of Hong Kong's new airport are expected to be another topic in the talks with Mr Major and Mr Douglas Hurd, the foreign secretary. Mr Hurd is expected to meet Qian Qichen, China's foreign minister, at the United Nations General Assembly in New York later this month.

Uncertainty about Mr Patten's plans for democracy is widely thought to have been a factor delaying Chinese approval of the airport financing plans.

However, there were signs of progress on the airport this week when China made a new proposal which the Hong Kong government said it would examine seriously. It is important for Mr Major that the airport plans proceed smoothly,

because his visit to Beijing last year to sign a memorandum of understanding on the airport was the price for securing China's agreement to let the project go ahead.

The airport is planned to open before British sovereignty over Hong Kong ends in 1997, but this target could be in danger if the financing plans are delayed much longer. The joint Sino-British airport committee is expected to meet again on Wednesday to discuss China's latest proposals.

British government officials could make no comment yesterday on the agenda for Mr Patten's talks.

Among issues in Mr Patten's policy statement, one area of possible change is expected to be the structure of the Executive Council (Exco), now the equivalent of a cabinet, appointed by the governor. Exco members have offered their resignations, allowing Mr Patten the possibility of splitting the executive from the legislature and turning the former into a purely advisory body.



## NEWS: UK

## Major gambles his authority on the pound

IT IS time to start taking much more seriously Mr John Major's commitment to the value of the pound. It can no longer be dismissed as the ritual pledge of a prime minister in the heat of battle with speculators on foreign exchange markets. Instead, it marks the return of conviction politics.

When Mr Major declared this week that he would not devalue sterling, he meant it - in his heart as well as his head. He knowingly staked the political authority of his government on his capacity to stick to the pledge.

He might yet be overwhelmed by the financial markets. If the French vote No to the Maastricht treaty on September 30, it may be that no amount of central bank intervention can protect the weaker

currencies in the exchange rate mechanism. Nor might higher interest rates be enough to hold the pound's value against the D-Mark.

Even if France backs the treaty on European union, it is far from clear that the markets will be tamed. As long as the recession persists and the Tory party retains a penchant for self-inflicted wounds, the doubts in the currency markets about Mr Major's resolve will remain.

Talk to enough Whitehall mandarins and it is not difficult to find experienced hands who laud the prime minister's good intentions but mutter

darkly that the policy may ultimately be doomed. Talk to enough ministerial colleagues and there are frequent reminders of the cardinal rule that everything in the end must bend to political reality.

It is much harder to find any hint of doubt over Mr Major's determination. He is as adamant in private as in public that he will not bend - that he will defeat inflation and that the ERM will provide the framework to do it.

It is partly personal. It was Mr Major who, as chancellor, persuaded the then Mrs Margaret Thatcher to lift the veto on ERM membership that had

led Mr Nigel Lawson to storm out of her cabinet. It took Mr Major nine months to win her round. He rightly regarded it as a triumph. Two years on, he is not willing to devalue that along with the pound.

However, Mr Major is also a pragmatic politician. He outflanked more experienced rivals in the leadership race by persuading those from the right and the left of his party that he was One of Them. In Downing Street, he has displayed the same mastery of the politically possible.

But inflation is an issue on which pragmatism has hardened into conviction. Long

before he entered No 10, Mr Major blamed Britain's long-term economic decline on its poor inflation performance. The destruction wrought by the inflationary boom of 1988 confirmed his judgment.

He believes inflation is as destructive socially as it is economically. It wrecks business profits and investment, impoverishes those on fixed incomes and - crucially for a politician with Mr Major's humble background - those struggling to climb the economic ladder by building up their savings.

So if the now Lady Thatcher saw her mission in politics as the defeat of socialism, Mr

Major is bidding for a place in history as the prime minister who tamed inflation. He is aware of the parallels drawn with predecessors who forfeited their political authority in vain attempts to resist the markets. The most common comparison is with the then Mr Harold Wilson, whose government was torn apart by the devaluation of 1967.

The lesson Mr Major draws, though, is not that Mr Wilson was unwise to take on the speculators - rather that subsequent events demonstrated that it was impossible to steal a competitive edge through devaluation.

Some in Whitehall have been urging Mr Major to leave an escape hatch: to keep open the option of covert devaluation in a general ERM realignment and to put some distance between himself and Mr Norman Lamont. This week Mr Major did the opposite. He dismissed realignment and deliberately praised his chancellor.

He is not a masochist. He will do all he can to defend the pound without raising interest rates. Next month's Conservative party conference already promises to be rough. The prime minister does not want to court open rebellion.

But now there is no going

back. If the pressures intensify, Mr Major will be forced to raise borrowing costs or abandon the political authority won only five months ago in the general election.

His cabinet colleagues are convinced he will fight to the end to defend the pound. Most ministers agree that he has no other choice; and most believe that he is anyway right.

Mr Major denies that the economy will remain mired in recession so long as sterling is tied to its present rate against the D-Mark. He acknowledges that recovery will be slow but insists it will come. If he rides out the storm, his authority will be unassailable. If he loses to the speculators, it will be shredded. But then, conviction politics always were a gamble.

Philip Stephens

## Tarmac to close four factories

By Andrew Taylor, Construction Correspondent

TARMAC, Britain's biggest construction and materials group, said yesterday it was closing four plants as well as cutting output of bricks by more than a third and production of concrete blocks by more than a tenth.

The closures will lead to the loss of 300 jobs in addition to the 5,000 Tarmac has shed in the past 18 months.

The mounting crisis in the construction industry was underlined yesterday by the decisions by two more building groups, Evered Bardon and Lilley, to cut or cancel their interim dividends.

Meanwhile, environment department figures issued yesterday showed a 5 per cent fall in construction output in Great Britain during the three months to the end of June compared with the corresponding period last year.

The Building Employers' Confederation, the largest trade association in the industry,

said the figures were disastrous for a sector that already been in recession for at least three years.

"They would have been even worse but for an increase in public spending," the confederation said. "This shows how important it is that government should not reduce investment in construction in the autumn spending round."

The brick industry has been hit harder than most by the construction downturn because about 60 per cent of bricks are sold for housebuilding.

The brick manufacturing workforce has fallen by 30 per cent since 1988 from 14,000 to fewer than 10,000. Nevertheless, the industry continues to suffer from serious overcapacity. More than 1.4bn unsold bricks, equivalent to six months' supply, were stockpiled by manufacturers at the end of July - enough to build 170,000 homes.

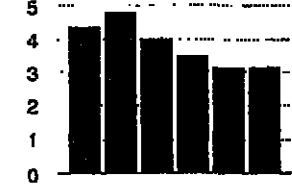
Even after recent plant closures announced by Redland, Butterley and Tarmac, the industry will have the ability to manufacture 900m more bricks a year than it is selling, representing overcapacity of almost a third.

Mr Neville Simms, chief executive of Tarmac, said the closures were a response to an industry-wide affliction. He added: "We do not expect to lose market share, and look to our competitors to follow this strong lead in reducing industry capacity in line with both current and foreseeable market demand."

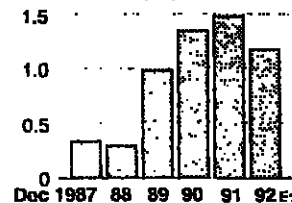
The closure of four plants by the company will reduce its capacity from 270m to 170m a year. The plants are at Bothwell Park, Strathclyde; Campbell, Derbyshire; Severn Valley, Avon; and Kibblesworth, Tyne and Wear.

## UK brick industry

Manufacturers' sales (bn)



Unsold stocks (bn)



Source: Brick Development Association



Women join the Changing of the Guard at Buckingham Palace today. Yesterday they rehearsed with male colleagues in the Central Band of the Royal Air Force

## Ashdown backs caution on a pact with Labour

By Allison Smith

LIBERAL Democrats have "everything to lose and nothing to gain" from national pacts with other parties according to a pamphlet launched yesterday with the blessing of Mr Paddy Ashdown, the party's leader.

Mr Simon Hughes, MP for Southwark and Bermondsey and one of the authors of the pamphlet, said that pre-election pacts should be ruled out, but co-operation with Labour after the next election would be worthwhile if it delivered proportional representation.

Senior party figures are keen that the party conference in

Harrogate, which begins tomorrow should not be overwhelmed by the question of electoral pacts.

However, the difficulty of achieving this was demonstrated again yesterday by the interest shown in the backing among party members for Mr Ashdown's proposal for dialogue with members of other parties. The pamphlet published yesterday says that: "To encourage and advance the Liberal Democratic agenda" individuals and groups from within the party should hold discussions with people in Labour and other parties.

But it says also that for the "foreseeable future" the task of Liberal Democrat campaigners is to maintain the party's clear and separate identity. The conference will debate strategy in an informal session tomorrow and in a more formal debate on Wednesday.

The sending of British forces to Bosnia was still not a reason to recall parliament, Mr John Major said yesterday, dismissing a demand from Mr Paddy Ashdown for MPs to be able to debate the move before the troops receive the order to set off as part of the United Nations mission.

Pathways To Power. Liberal Democrat Publications, 8 Fordington Green, Dorchester, Dorset. £3.75.

## Postgraduate grants shortage

By Andrew Adonis

THOUSANDS of qualified science and engineering graduates, including hundreds with first-class degrees, are unable to secure state funding for postgraduate work in the coming academic year.

According to this week's Times Higher Education Supplement, more than 8,000 applications have been lodged for 5,000 studentships offered by the Science and Engineering Research Council (SERC).

More than 400 students with first-class degrees will not secure SERC funding. The Natural Environment Research Council will be able

to fund only 5,000 of 7,800 applicants.

Applications for taught master's courses and research programmes have increased significantly this year. It is more than a reflection of the recession, as the proportion of graduates remaining at university to take higher degrees has been rising steadily in recent years. University statistics released this week indicate that more than a quarter of the graduates from older universities are staying on to undertake further research.

State funding for taught courses and research studentships has remained broadly static, however.

## Nalco strike at council resumes after court victory

By Lisa Wood, Labour Staff

WORKERS at Newham Council in London went back on strike yesterday after their union won its appeal against a High Court order to call off the industrial action.

The legal move was the first by a Labour-led council against a trade union using Conservative employment laws. The High Court's order, made earlier this month, would if upheld have had important

implications for what a trade union could do before a ballot on industrial action.

Mrs Justice Ebsworth, in granting Newham Council an injunction against the union, said it was "clearly arguable" that the union had promoted the strike call before the ballot and was therefore in breach of Section 7(3) of the Employment Act 1980.

The act says there must be no call for authorisation of action before a ballot.

Nalco, the public-services

union, had promoted localised strikes against compulsory redundancies before balloting its whole membership.

Three Court of Appeal judges set aside Mrs Justice Ebsworth's provisional ruling. Lord Justice Woolf said that the union had promoted the strike call before the ballot and was therefore in breach of Section 7(3) of the Employment Act 1980.

The act says there must be no call for authorisation of action before a ballot.

Nalco, the public-services

## TUC may invite minister to speak

By David Goodhart and Michael Smith

MRS Gillian Shepherd, the employment secretary, or even Mr John Major, the prime minister, may be the central attraction at next year's Trades Union Congress in Brighton.

Yesterday, as this year's congress closed, several union leaders were floating the idea of inviting a senior cabinet minister next year. The most memorable moment of this year's congress came when Mr Howard Davies became the first director-general of the Confederation of British

Industry to address the TUC. A controversial invitation would stave off the growing public indifference towards the annual congress and serve to underline the unions' increasing independence from the Labour party.

Mr John Edmonds, leader of the GMB general union, welcomed the idea of inviting a senior member of the government.

The two events that had attracted the most positive attention for the TUC in recent years were the address in 1986 by Mr Jacques Delors, president of the European Commission, and that by Mr Davies this year, he said.

"It would have many advantages," Mr Edmonds said. "We are confident of our own ideas and values and I don't feel threatened by hearing contrary views."

Mr Tony Young, leader of the NCU communications union, said an address by a cabinet minister was a good idea. Governments and unions should have more dialogue, he added.

The AEEU craft union is already planning to invite Mrs Shepherd to address its executive later this year, but Mr Gavin Laird, the union's general secretary, said that such

an invitation to the TUC might be a "step too far".

Mr Rodney Bickerstaffe, leader of Nupe, the public-services union, struck a cautious note. "I would like to see more change in the government's position on trade unions before giving it more serious consideration," he said.

Mrs Shepherd might find an invitation to the TUC hard to resist. Although she is pressing ahead this autumn with another round of tough legislation - inherited from her hard-line predecessor Mr Michael Howard - she has also announced that the "war" with the unions is at an end.

## Ofwat meter study may inflame water debate

By Bronwen Maddox, Environment Correspondent

NEARLY one household in 10 with a water meter as difficulty in coping with water bills, according to a study published yesterday by Ofwat, the water industry watchdog. The findings are likely to inflame debate over the benefits of water metering.

The report into the social impact of water metering also finds that 41 per cent of homes fitted with a water meter make no effort to curb their consumption.

Ofwat, together with the Department of the Environment, has thrown its support behind wider household metering to help cut demand for water in regions suffering a shortage.

However, consumer groups

have protested that poor families would pay more.

Mr Ian Byatt, Ofwat's director general, pointed out that 91 per cent of those surveyed had no difficulty in affording their metered water bills.

He said: "Overall, the trials do not appear to have caused difficulties for many customers and this is encouraging."

Advocates of metering will also get support from Ofwat's finding that 35 per cent of households used less water under metering.

Nevertheless, the National Consumer Council said the results bolstered its opposition to meters.

Ms Wendy Toms, of the council, said: "It is clear from this survey that if people can afford to pay bills generally then they are not going to save water. The hardship of saving

water will fall most on the poorest people."

The survey was based on more than 6,000 homes in England and Wales where meters have been fitted on a trial basis. Only 3 per cent of the 21m homes in England and Wales now have a water meter, but the report notes that the areas hosting the trials "are generally more affluent than Great Britain as a whole".

Ofwat said that within the 3.3 per cent of metered homes having trouble in paying metered water bills, most were low-income households where there was a struggle to pay other bills.

On further interviewing, it found that "the majority of this group worried a lot about their water bills and in some cases this had contributed to family tension and argument".

## Planning a decade without power

David Goodhart and Michael Smith on loosening links with Labour

A DELEGATE returning to this year's Trades Union Congress after an absence of 10 years would have found much unchanged. There were composite motions combining contradictory views and an arcane internal dispute - over the readmission of the EETPU electricians' union - which was incomprehensible to most outsiders, but was almost the only matter to excite the delegates all week.

But beneath the surface, radical steps were being taken to reposition British trade unionism for another decade without political influence.

Most union leaders accept that they will carry influence in industry or politics only if they effectively represent the varied, sometimes contradictory, interests of their members.

That means a looser link

with the Labour party, a slimmed-down TUC bureaucracy and a new relationship with employers, symbolised in the highpoint of the week - the address to Congress by Mr Howard Davies, director general of the Confederation of British Industry.

Plenty of wise things were said in the debate on slimming and refocusing the TUC bureaucracy, and it was agreed to reduce the TUC's priority areas from 17 to six.

The political will to stop the TUC spreading itself too thin is not yet there, though, and Congress once again committed the bureaucracy to innumerable fresh campaigns.

A new leader at Congress House, the TUC headquarters in London, might provide the impetus genuine refocusing requires.

Mr Norman Willis, the TUC general secretary, bounced

back from pre-Congress speculation about his future and had, by his standards, a reasonable week. But he is almost certain to go within the next year.

During that period, the unions' ties with the Labour Party will be re-ordered.

There was no TUC debate on the subject but there was a vivid illustration of why some want to abolish the link when Mr John Edmonds, leader of the GMB general union, led calls for the devaluation of sterling.

Either the union leaders will change Labour's policy, undermining the party's claim to speak for the country as a whole, or they will create a row between the two "wings" of the labour movement.

Most union leaders recognise the constraints the Labour link imposes on their political lob-

bying and are keen to become more broad-based. But few can contemplate an end to direct influence in the party.

There is no reform model leading the debate. The idea of converting the 5m political levy payers in the unions, most of whom are unaware that they even pay the levy, into "associate members" of the party, is widely considered too complex and a recipe for bankrupting the party.

The best guess is that the union vote at the Labour conference, the central element of the link, will continue to decline to 50 per cent or less and votes will not be cast in blocks.

If there is ever another Labour government, much will have changed. It will have looser links with organised labour and much else will have changed from 1979 - the last time Labour held office.

## Lloyd's agency is bought by rival

R.H.M. OUTHWAITE, the Lloyd's underwriting agency that agreed to a \$116m settlement to its members in February after they sued it for negligence, came to the end of an era yesterday with the announcement of its sale to Bardon and Marsh, another Lloyd's agency. Andrew Jack writes.

An official said Mr Outhwaite's "personal support in the market was not sufficient to sustain an independent ongoing business".

The sale includes Lloyd's syndicates 317, 1047 and 1081 for the 1993 and later years of account, as well as the Outhwaite Members' Agency. The present chief executive will not move with the business.

Mr Outhwaite will continue to administer the run-off of the existing underwriting years that have not yet been closed, which are 1982 and 1990 to 1992.

## Opt-out school in cash crisis

A FINANCIAL crisis in a grant-maintained school in Dorset has led to the suspension of the head teacher and the redundancy of seven teachers.

Woodroffe School, Lyme Regis, has a deficit of more than £20,000, forcing the governors to suspend the head teacher last week after a vote of no confidence by the staff and an audit.

Grant-maintained schools are not allowed to run deficits, and the Department of Education has the power to close them.

## Builders compete for stadium

FIVE large construction companies will compete to design and build the £3m velodrome (cycle stadium), being built as part of Manchester's bid for the 2000 Olympic Games.

The five - chosen by Manchester City Council from 30 bidders - are Mowlem, Amec, John Laing, Tlbury Douglas and Taylor Woodrow. Detailed designs have to be in by early next month so the winner can be picked for work to begin in January.

## Steel output shows increase

AVERAGE British weekly steel production in August was 1.1 per cent higher than for the same month last year. British Steel and the British Independent Steel Producers' Association said.

Actual production averaged 277,800 tonnes a week in August, up from 274,900 last year, but the seasonally adjusted figure of 331,500 tonnes in August was below last year's 341,500 tonnes.

## Suspension lifted

FIMBRA, the financial services regulatory body, yesterday said it had lifted its suspension of Business Sales Insurance Services Ltd, of Regent St, London.

The company was suspended from conducting investment business on August 14 for failing to maintain professional indemnity insurance cover. That had now been obtained.

## Thorn EMI

THORN EMI wishes to point out that the high average remuneration to its directors of £285,000 shown in its accounts to March 31 1992, as reported in last Thursday's Financial Times, is substantially skewed by the remuneration of the head of its US music division, who receives £3.6m. The UK average is £221,000.



# Major sees prominent Scots to 'take stock'

By Chris Tighe

THE PRIME MINISTER held a three-hour meeting in Edinburgh yesterday with 14 distinguished Scots as part of his pre-general election pledge to "take stock" of Scotland's constitutional place in the UK.

Opposition parties condemned the discussions as a sham, claiming that people advocating real political change had not been invited.

Some of Mr Major's guests said the underlying presump-

tion of the debate had been that the union between Scotland and England should be strengthened, and that a Scottish assembly - favoured by Labour and the Liberal Democrats - was not the way forward.

Sir William Fraser, the principal of Glasgow University and a former Scottish office civil servant, said it had been made clear to the prime minister that in some areas there was a feeling that "Scotland somehow was different", and policies applied in England did

not necessarily have to be applied in Scotland, too.

In particular, Sir William said, some guests defended local government in Scotland whose strength, they felt, the government should recognise.

He added: "Some people suggested, and I certainly agree with them, there was further scope for decentralisation of British government departments."

Another guest, Professor Arthur Midwinter, of Strathclyde University's Department of Government, said as he left

"I suggested the government ought to have a less abrasive style in Scotland and ought to consult more widely."

Mr Major told journalists the "very good debate" had put a different perspective on some constitutional questions. He confirmed that concern had been expressed about decentralisation, as opposed to devolution, in the private and public sector, but declined to be drawn on what he described as "rather surprising points" made during the meeting.

He said the 14 guests had

been selected for their personal capabilities rather than their public positions. "I'm trying to gauge the instincts of people and what they believe needs to be done to enshrine and secure the distinctiveness of Scotland and its place within the union."

Many Scots, he said, had not fully appreciated the extent to which administrative responsibility had been devolved from Whitehall to the Scottish Secretary in recent years.

Asked later who had picked the 14 guests, Mr Major said, to

laughter, he had devolved the selection to the Scottish secretary.

Guests said the prime minister had been "in listening mode".

Mr Major indicated his hope to complete his consultations by the end of the year but refused to set a timetable.

The guests included Mr Scott Bell, managing director of Standard Life Assurance, Sir Alick Rankin, chairman of Scottish and Newcastle, Mr Bruce Patullo, governor of the Bank of Scotland and his dep-

uty Professor Jack Shaw, chairman of the Scottish Higher Education Funding Council, Mr Bill Brown, chairman of Scottish Television and Scottish Amicable Life Assurance Society, Mr Angus Grosart, managing director of Noble Grosart, Ms Barbara Kelly, chairman of the Rural Forum, Professor Donald Mackay, chairman of PEDA, the Edinburgh consultants, Mr Magnus Magnusson, broadcaster and chairman of Scottish Natural Heritage, and Mr Allan Massie, author.

## Slowing seen in growth of claims

By John Authers

INCREASES in insurance claims are beginning to slow down but remain at an "unacceptable" level, according to figures released yesterday by the Association of British Insurers.

Total theft claims fell in the second quarter of the year, to £349.5m from £360.7m. The second-quarter figure is still 10.1 per cent greater, however, than for the same quarter last year. Total claims for the 12 months to June are 39.8 per cent greater than the claims for the previous year at £1,022.5m.

Statistics for fire insurance show claims for the second quarter at £284.5m, an increase of 16.1 per cent from the £245.0m for the same quarter last year.

Mr Mike Jones, the ABI's chief executive, said: "After some miserable figures for theft and fire damage, there are some signs that the rate of increase is at last slowing down. Even so, the increase in claims remains at an unacceptable level."

He warned consumers: "Unless all our efforts are successful, further increases in premium rates are unavoidable."

A survey by Which? magazine earlier this year showed that premiums for household contents policies had already increased substantially.

Average premiums for a typical building and contents policy in a medium-risk area increased to £444 this year from £338 last year. Some increases were much greater. Norwich Union increased premiums in low-risk areas by 53 per cent, according to the survey.

The Consumers' Association has claimed that premiums are being increased "to make consumers pay for past mistakes".

The ABI drew attention to bogus and inflated claims, and also said it was encouraging adequate security measures through its premium structure.

## OFT chief may use price caps against market abuse

By Robert Rice, Legal Correspondent

SIR Bryan Carsberg, director-general of fair trading, gave a clear warning yesterday that he would not hesitate to take tough measures to stamp out market abuse.

Sir Bryan indicated in his first speech since taking up office in June that he intended to continue the policies he used when director-general of OfTel, the telecommunications watchdog.

Price-capping or divestment should be considered where it proved difficult or impossible to inject competition into a market, Sir Bryan said at an anti-trust conference at Cambridge University.

He did not favour a profits ceiling even though high profits were often an indication that a dominant position was being exploited. He would prefer a price cap of the type he imposed on British Telecommunications when at OfTel. A

cap would require a company to limit price rises enough to allow the expectation of a reasonable rate of return while avoiding direct limits on profits. That would encourage improvements in efficiency.

Sir Bryan said measures to introduce competition by lowering entry barriers to competitors sometimes worked slowly, and dominant businesses tended to dominate for long periods.

The role of competition authorities was to create the conditions in which effective competition could take place so that its benefits could flow quickly to consumers.

Sir Bryan also indicated that he would pay particular attention to complex monopolies and duopolies. While simple monopolies were easily recognisable, he said, difficulties could arise where a market was shared among a few companies. A duopoly could be an unsatisfactory arrangement unless one of the parties was a

dynamic, competing new entrant.

● Kodak and six other film manufacturers have been released from undertakings originally given in 1986 after a Monopolies and Mergers Commission report on the colour film market.

The undertakings required Kodak not to discriminate between retail outlets. They also required all seven companies to make colour film available to retailers at prices both including and excluding the cost of processing.

The Department of Trade and Industry said yesterday that the Office of Fair Trading had concluded that the undertakings, last reviewed in 1993, were no longer relevant.

Undertakings given by CMB Foodcan, formerly Metal Box, in 1970 in relation to the supply of metal containers have been revised after a review last year. Sir Gordon Borrie, who was then director-general of fair trading,



Posters have appeared in Brighton as part of a security campaign in advance of the Conservative party conference next month

## Barclays vows to fight writs

By David Barchard

BARCLAYS BANK, the largest of the high street clearers, yesterday vowed to fight writs served on it alleging that its customers lost money through "phantom" cash machine withdrawals.

Five banks and building societies - Barclays, Midland, TSB, Nationwide Building Society and Lloyds - have been named as defendants in an action brought by Mr Denis Whalley, a Merseyside solicitor. The action is on behalf of nine alleged victims of "phantom" withdrawals from automated teller machines.

Barclays said yesterday the action was "misconceived" and that it had complete confidence in its auto-teller systems. "At the same time, we are very pleased that at long last we will have the opportunity to defend our position in the courts," it added.

The bank said it had already made a payment to Mr Stephen Raw, one of the three Barclays customers among the nine plaintiffs. The payment did not constitute an admission that there had been a "phantom" withdrawal.

Midland and Lloyds also confirmed that they had received writs from Mr Whalley. Each bank faces two claims. Lloyds says it has paid the disputed amount in one case, even though it would have preferred the case to go to the banking ombudsman for a definitive ruling.

## Planned regulator woos banks

By Norma Cohen, Investments Correspondent

PLACES will be reserved for banks and building societies on the board of a proposed new super-regulator for retail financial services, in a move intended to encourage banks to participate in a body they say they do not wish to join.

Sources familiar with a consultative document on the new self-regulatory body, to be known as the Private Investment Authority, said it left

room for up to 30 members on its board of directors.

Of those, 10 to 12 would be "product providers" such as life insurers and unit trust companies. Should the banks become members, some of the seats will be allocated to their representatives.

Six or seven of the remaining seats will be reserved for public-interest members such as consumer representatives, lawyers and accountants.

The retail financial services arms of the big banks are

mostly regulated directly by the Securities and Investments Board. Persuading them to switch to membership in the PIA is considered critical to its success. The large life insurers have said they will not participate unless the banks become members as well.

Members of the PIA formation committee, headed by Sir Brian Hays, have sought meetings with the Treasury and the Bank of England to urge them to promote membership among banks and others.

## August increase in prices index is lowest for decade

By Emma Tucker, Economics Staff

THE DOWNWARD pressure on prices continued last month as hard-pressed retailers avoided repeating many of the previous August's price increases.

The 0.1 per cent rise in the retail prices index from 138.8 in July to 138.9 last month was the smallest monthly increase for any August since 1982. Muted price increases for food, motoring costs, gas and household goods contributed to the fall in the annual rate from 3.7 per cent to 3.5 per cent.

Seasonal food prices continued to show the most spectacular falls, dropping by 12 per cent last month compared with the same month a year ago. That was the lowest annual rate for nearly 10 years.

Seasonal food prices normally rise in August, but

increases this year were not as sharp as last year, with prices for fresh vegetables and fruit continuing to fall.

The 1.1 per cent increase on the previous month was mainly the result of dearer potatoes.

According to the figures from the Central Statistical Office, overall food prices dropped to their lowest annual rate of increase since May 1983. However, within that, non-seasonal food prices were boosted by more expensive confectionery, dairy products and imported lamb.

The fall in clothing and footwear prices, compared with a year ago, reflected special offers for seasonal clothing and continued cut-price sales for women's clothes. Prices for menswear recovered slightly.

The highest annual rates of price increases continued to be

in the service sector.

Household services rose by 5.9 per cent in the year to August, although lower house conveyancing charges and estate agents' fees led to a 0.1 per cent drop on the previous month. Personal goods and services and leisure services also showed high year-on-year rates of increase.

The 0.2 per cent monthly increase in housing costs mainly reflected an increase in mortgage interest payments.

Fuel and light prices fell 0.5 per cent on the month as the second phase of the cut in gas prices continued. Motoring costs fell 0.2 per cent on the month, reflecting lower petrol prices.

The disinflationary momentum in the economy is likely to continue this month, even though most summer cut-price sales will end.

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Saturday September 12 1992

## Staking his reputation

THE British prime minister cannot be accused of failing to give a lead. He has certainly done so this week. In two important speeches, the first on the future of the European Community and the second on the exchange rate, Mr John Major has attempted to explain the government's strategy to a wider public. In so doing he has not prevaricated, nor has he sought to distance his personal position from that of the government as a whole, as other prime ministers have been known to do. On the contrary, he has put his own reputation and maybe his political future on the line.

On Monday Mr Major rehearsed the government's case for supporting the Maastricht treaty on European union. In essence, it is that it is always in Britain's interest to be a willing participant in plans for the evolution of European unity, not least because only those who take part can influence such plans. Britain did exert influence at Maastricht, in the direction of a looser political structure than Euro-federalists would like. The result was a compromise. Yet the issues that the continent faces - economic development, enlargement of the community, responses to international crises - would not disappear if the treaty were to remain unratified. In defiance of the alarms from its own backbenches, Mr Major expressed an unmistakable wish that the treaty be ratified.

If "Maastricht" is engraved on the prime minister's heart, political prudence is still, on this matter, in control of his head. In his speech he reaffirmed that if the French vote No tomorrow week Maastricht will be dead. If the Danes cannot be honourably accommodated, there will be no treaty. Assuming that France and Denmark are back on board, the British government's policy is to face a parliamentary battle, however bruising, in order to ensure the passage of the ratification bill. Since all three national political parties are in favour of the deal (leaving aside dissidents within each of their ranks), it is reasonable to assume that eventual passage is assured.

## No referendum

Mr Major did, however, leave one hostage to fortune in this speech. He emphatically ruled out a British referendum. A close Yes vote would increase the pressure for such a consultation. The prime minister is presumably relying on the Labour party's apparent unwillingness to push for a national vote. This is in part due to a belief that it would be wrong, in part to an inglorious fear of exposing the splits within Labour's own ranks. If, however, the Labour leader, Mr John Smith,

summons up his courage, he may seize the opportunity to call for a people's verdict. That would put the government on the spot.

This is as nothing to what would happen if Britain is eventually forced to devalue sterling, either outright or as part of a general realignment of currencies inside the exchange rate mechanism. On this matter political calculation and a whip's natural prudence have been cast aside. Mr Major's address to the Scottish CBI in Glasgow on Thursday night leaves no room for doubt about his commitment. "There is going to be no devaluation, no realignment," he insisted. Cynics may argue that any prime minister would have to say as much, given the state of the currency markets this week. That may be so, but no prime minister is bound to assert, with such uncharacteristic passion as that used by Mr Major on Thursday, that "the soft option, the devaluer's option, the inflationary option would be a betrayal of our future" and to add, with especial emphasis, "and it is not the government's policy".

## Motivating force

With these words the prime minister has staked his political authority on an exchange rate over which he can have only a limited degree of control. The public now knows that the ambition to strive for zero inflation and stick there is not Mr Norman Lamont's, or not the chancellor's alone. It is the prime minister's motivating force. For him it is a matter of principle. If there were now to be a devaluation he would lose credibility. A general ERM realignment, which would not be a miracle cure for the economy, might be complicated enough to allow for a technical escape, but probably not at the bar of public opinion. Mr Major's plain speaking, his obvious sincerity and his widely perceived honesty, constitute his principal sources of political strength. A sneaky devaluation, leaving open the question of why we were all lashed to the mast for two stormy years, would put all that at risk.

The consequence is that there will either be a wreck, if the turbulence in the markets increases in force, or following a further prolonged period of economic pain the gains will begin to be regarded as worthwhile. With the continuation of the recession, the government cannot finance public expenditure at the levels currently contemplated; cuts that affect millions of people are likely to be imposed. They must hope that Mr Major's economic strategy, these years of hard slog must be justified by results. On such scales, a reputation is but a feather.

There will be no devaluations," said the chancellor of the exchequer, Norman Lamont, on the steps of the Treasury last month. Since then the government has staked billions of pounds in borrowed money to shore up the willing sterling exchange rate.

But such intervention exercises have a poor historical record of success in countering the waves of cynicism, greed and fear that periodically break over the foreign exchange markets. Very often, too, the market practitioners have a clearer perception of the underlying economic realities than do beleaguered politicians.

This week, however, the main spotlight has been directed elsewhere in Europe. Two of the Nordic countries which have been unofficial members of the European Community's currency club, the European Monetary System, have been caught in the torrent of speculation.

On Tuesday the Finnish markka was floated off its lifeline to the EMS's hybrid currency, the Ecu. The markka immediately sank by some 13 per cent against the D-Mark, and then a desperate battle began in Sweden to save the krona, involving at one stage overnight interest rates of 75 per cent. Within the EC proper the greatest pressure has been on the Italian lira. Interest rates have been sharply raised, taking the margin over D-Mark rates for three-month deposits up to about 10 percentage points. The Italian government, meanwhile, is seeking emergency powers to tackle the country's economic crisis.

The immediate trigger for all this has been the approach of the French referendum on the Maastricht treaty, with voting taking place a week tomorrow. Present expectation is that the French will vote Yes by a narrow margin but the decision could still go either way. A No verdict would bring a potentially explosive and to a summer of simmering crisis for European currencies, beginning with the unexpected decision of the Danes to reject Maastricht in their own referendum at the beginning of June.

Why has the crisis blown up in this way? Until the mishap in Denmark, European businessmen and travellers had been led to believe that currency integration was moving ahead quickly. With the single market about to be launched at the end of 1992, Europeans were to be spared the hazards of volatile currencies within their own continent. Although the ERM in theory permits currencies to shift around in occasional realignments, in practice the last significant change was back in 1986. The Maastricht treaty set out possible timetables according to which the ERM would be strengthened into a complete monetary union, perhaps in 1999, with a European Central Bank to control the single Euro-currency.

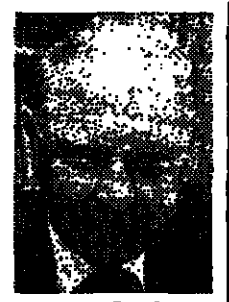
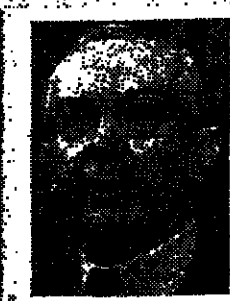
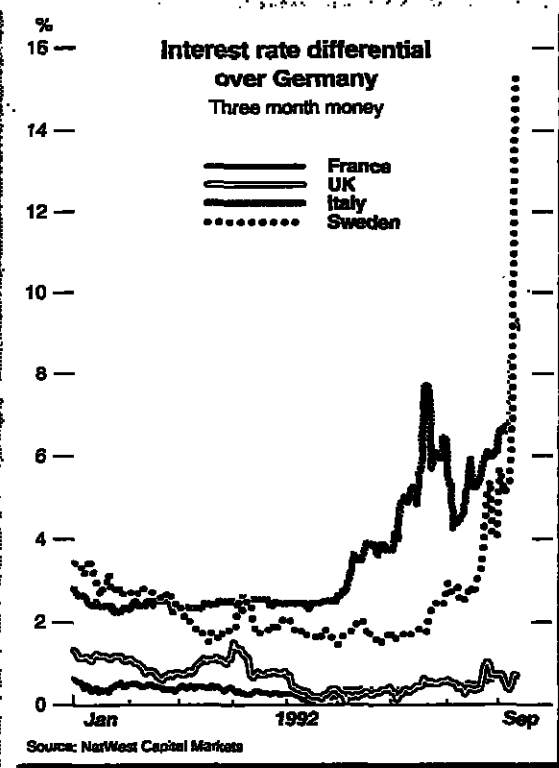
The urge to fix exchange rates is one that comes and goes. The post-second world war Bretton Woods agreement, which was based upon the dollar and gold, lasted until 1971. It broke down because of the pressure of increasing speculative currency flows and the impossibility of holding down the gold price any longer.

Floating can prove inflationary, however, unless a country's money is strictly controlled by a tough central bank able to overrule free-spending politicians. Moreover any small country in which imports and exports are very large in relation to the size of the economy can find floating dangerous because currency fluctuations may cause havoc with the internal price level. Bor-

Adjusting to the rigours of the ERM is proving tougher than expected for some European currencies, writes Barry Riley

## Wild days are here again

The strains begin to show

Robin Leigh-Pemberton  
Governor of the Bank of EnglandBengt Daneris  
Governor of the Central Bank of SwedenJacques de Larosiere  
Governor of the Central Bank of FranceCarlo Ciampi  
Governor of the Bank of Italy

rowing may become very expensive, too, if a currency is seen to be risky. Yet large and powerful countries, notably the US, with imports only about 10 per cent of GDP, may be largely indifferent to the ups and downs of their currencies.

Germany, where the Bundesbank has an important degree of independence, is one of the few countries to have achieved low inflation consistently over the years. Even during the 1970s some EC member states chose to track the D-Mark in a loose arrangement nicknamed the "snake" (which the UK left after just six weeks in 1972 in pursuit of an inflationary economic boom). In 1979 this structure was refined and became the EMS.

Over the next decade and more the EMS went from strength to strength. Even inflationary currencies such as the French franc and the Italian lira were seemingly tamed. Reluctant Britain eventually joined in 1990, and Spain and Portugal came in too. Hangers-on such as Sweden and Finland attached themselves to the system, partly to strengthen their credentials as candidates for EC membership.

The buzz word behind it all was "convergence". With exchange rates locked together, European economies would come more and more in line in terms of inflation, output, growth and eventually living standards. Short-term interest rates and long-term bond yields, for instance,

would fall into line. Moreover, because the German economy was the most powerful in the EC, the whole community would benefit from low German inflation.

There has been an important political element too. The French have been especially determined to lock the franc and the D-Mark together to strengthen political cohesion at the very core of the EC and prevent Germany from turning its attention increasingly to the east.

However, there are signs of over-confidence. The EMS has become bigger and more unwieldy, and yet EC politicians appear to have decided that the ERM should effectively be made into a fixed-rate arrangement. Devaluation has become a symbol of political as well as economic failure. Except in the most favourable conditions, however, this mechanism cannot work satisfactorily unless a monetary institution is created which looks at the needs of Europe as a whole. In practice the ERM is dominated by the Bundesbank, which has a constitutional obligation to consider only the interests of Germany.

Now, however, the question is whether the attempts to keep up with the D-Mark are beginning to impose unreasonable economic costs. Britain is a case in point.

Membership of the ERM has encouraged a reduction in inflation from 10.9 per cent on entry in 1990 to 3.6 per cent as released yesterday. That has turned out to be the easy bit. But the Treasury has never begun to grasp the negative implications for economic performance as a whole. Last autumn, for instance, it forecast that 1992 would show economic growth of 2.4 per cent. In fact GDP now appears likely to fall a little. It can be argued, therefore, that the unexpected cost of ERM membership will be anything up to 3 per cent of GDP in this year alone.

When currencies depreciate, the sufferers are liable to be savers and consumers. But hard currency policies tend to penalise borrowers and manufacturing industry. Tightening belts may be one thing but closing factories is another.

Sweden is also suffering a serious recession; GDP dropped by 1 per cent in 1991 and may fall slightly again this year. Again, inflation is not a problem, as it has been running below Germany's. But serious difficulties have been surfacing in the financial system. The government has already rescued Nordbanken and agreed to bail out Gota Bank. These are two of Sweden's four biggest banks.

This highlights the problem that harmonisation of financial systems may be the most difficult element of convergence within a structure such as the ERM. Both in the UK and Scandinavia credit growth reached extreme levels in the late 1980s and the continuing overhang of debt could undermine the attempts to switch to a hard currency regime. In Germany, where episodes of currency appreciation have been quite common during the past 30 years, debt levels are much more conservative. But what will the British government do if banks in the UK begin to collapse?

Financial difficulties apart, however, in neither the UK or Sweden is there any great case in terms of economic fundamentals for devaluation against the D-Mark (though the level of the dollar is another matter). Yet both countries urgently need much lower interest rates than they are likely to enjoy for several years within the D-Mark-dominated ERM. Their problems are quite different from those of Italy, which does appear to have lost competitiveness and also has a severe problem of government over-spending.

Most observers now regard a lira devaluation as inevitable. The danger is that massive speculation will shift from one currency to another. Meanwhile there is little flexibility left within the ERM, with the vulnerable currencies trapped almost on their floors against the D-Mark. It all adds up to one of the biggest currency crises since the wild days of the 1970s, and before that the early 1960s, another period when competitive devaluations and political obstinacy led to economic disruption and speculative excess.

In 1981 there may have been no breakfast TV sound bites from chancellor Philip Snowdon, but the British authorities were, as now, borrowing heavily from banks to support sterling - and this was only a few weeks before the Gold Standard had to be abandoned.

On Thursday this week, however, John Major took up Norman Lamont's rallying cry. "There is going to be no devaluation, no realignment," he told a Scottish CBI dinner. The applause seemed polite rather than enthusiastic, which is not surprising given that, on present policies, industry will continue to bear much of the cost of adjustment.

## MAN IN THE NEWS: Peter Middleton

## Ex-monk on a motorcycle

When Lloyd's of London began the search for a new chief executive, it can hardly have expected a motor-cycling ex-monk from Middlesbrough would be the best man for one of the insurance market's top jobs.

As Lloyd's struggles to emerge from one of the most difficult periods in its 300-year history, the choice of Mr Peter Middleton, a 52-year-old former diplomat and businessman who lacks any experience of the insurance business, might seem curious, even risky.

But Mr Middleton, a tall, clean-cut, tanned and self-confident figure, may be what Lloyd's needs at this turbulent time, though his background and style set him apart from other senior figures at Lloyd's, and most of the Names, the individuals who stake their personal wealth on the market's fortunes.

From a working-class family on Teesside (his father was a foreman at an ICI chemicals plant) Mr Middleton speaks with a Geordie accent and says he has an "unrequited love affair" with his hometown football club, Middlesbrough FC. He also professes a passion for motorbikes. This week he has travelled to interviews on a Suzuki 800cc Easy Rider-style machine. Educated at a local Catholic grammar school, he later joined a monastery in Painsley, Devon, run by a small French monastic order, the Society of Mary.

"It was something I felt attracted to. I'm immensely pleased that I did. It was a real education," says Mr Middleton, who adds that he retains his religious convictions in a "private kind of way".

After the monastery came a year in Paris studying philosophy at the Sorbonne, where Mr Middleton

acquired fluency in French, and three years at Hull University, where he read social studies.

His education left him with a lasting appetite for literature - he is currently re-reading Jane Austen's *Sense and Sensibility* - as well as an ability to survive on three to four hours' sleep a night. "A bloke would ring a bell at some unholy hour and I would stagger down to matins," he says, adding he can make do "with two hours a night but not for more than a fortnight". These years of hard slog must be justified by results. On such scales, a reputation is but a feather.

Like his early life, his career defies easy categorisation. After graduating from Hull in 1969, Mr Middleton joined the foreign service, spending two years in Indonesia and two in Tanzania, before returning to London. Between 1977 and 1982 he was senior British embassy counsellor in Paris, where he became acquainted with Labour and Conservative government officials. His diplomatic skills will be useful at Lloyd's, where he will need to come to terms with the market's complex politics and byzantine structure.

Mr Middleton has personal warmth as well as tact, says Sir John Trelawny of Godard Kay Rogers, the recruitment agency. "That will serve him well in a market where relations between the corporation (which administers and provides back-up services) and the market (the agents and syndicates) have been slightly scratchy." Negotiating skills will also be helpful in dealing with those Names



facing financial ruin as a result of Lloyd's recent record losses.

But it is Mr Middleton's experience in business that made the case for his appointment so strong. At 45, he was recruited to Midland Bank by the French ex-Midland banker, Mr Hervé Cornoyer, who wanted to see if top British civil servants could work equally well in the private sector, like some of their French counterparts.

He then spent two years at Midland International, before joining Thomas Cook, Midland Bank's travel subsidiary, in December 1987. Midland had rescued Thomas Cook from British Rail in 1972, but the company had lost its way and staff were demoralised and directionless. "There was no sense of purpose that I could detect. There were independent pockets of excellence but they'd decided to go unilateral," says Mr Middleton, assessing the mood of pessimism prevalent at Thomas Cook when he joined.

He decided to expand business in

Europe and North America and develop new specialist leisure and business travel areas. Mr Middleton moved the group into retail foreign exchange dealing.

Layers of senior management were discarded and specialist teams recruited to implement the plans. The changes aggravated problems in the short term, but there is general agreement that they paved the way for the revival in Thomas Cook's fortunes.

Mr Middleton was negotiating the successful sale of Thomas Cook to a German consortium comprising West Deutsche Landesbank and one of Germany's largest charter airlines when he was approached by Lloyd's. "When I was first approached, to say I was surprised is an understatement. I couldn't take it seriously. I couldn't imagine I'd be offered the job," he says.

Yet despite the obvious differences of size and business, the outside headhunters and the Lloyd's committee responsible for recruitment were intrigued by the similarities between Thomas Cook and the insurance market.

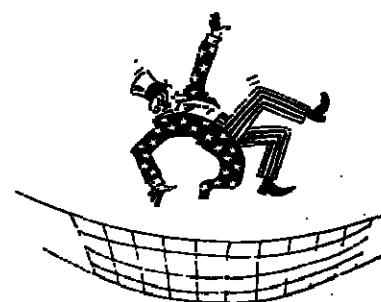
Both are world-famous British brand names. Thomas Cook's business was in decline, so is Lloyd's. And like Thomas Cook, Lloyd's is embarking on a change of strategy. Last year a task force of senior market professionals mapped out a five-to-10-year blueprint for Lloyd's, designed to reduce costs, increase competitiveness and reverse the loss of market share in reinsurance and commercial insurance.

Mr David Rowland, who headed the task force, is to become chairman of Lloyd's in January and, as head of a newly created market board, Mr Middleton will work closely with him in refining the strategy and persuading the market to back it. This will be his first task. It will prove difficult, but it is a challenge Mr Middleton relishes. When he was steering a new course at Thomas Cook, he says, he thrived on the pressure. There will be no shortage of that at Lloyd's.

Richard Lapper

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## COMPANY NEWS: UK

## US side cuts United Biscuits to £70m

By Guy de Jonquieres,  
Consumer Industries Editor

UNITED BISCUITS' share price rose 24p to close at 59p yesterday after the group announced actions to reverse a steep deterioration at Keebler, its US snacks and biscuits operation.

The fall at Keebler was the main factor behind UB's 17 per cent fall in pre-tax profits during the six months to July 11. Profits of £70m compared with £84.4m, while sales fell by £3m to £1.53bn.

Keebler's trading profit fell to £12.1m from £29.7m on sales of £508.8m (£512.5m). All the other divisions matched or slightly exceeded the previous interim results.

UB said Keebler, the second largest US biscuit maker, had suffered from "extremely unfavourable market conditions", particularly in the first quarter. As well as recession, it faced fierce price competition, the impact of rival brand launches and trading down by consumers to cheaper products.

Concern about Keebler's problems have led to a sharp fall in UB's share price in recent months. UB said it is reviewing all Keebler's operations and taking measures which should improve the company's performance by next year, even if the US recession continued.

The recent closure of a California bakery would result in a \$20m extraordinary charge in the second half but yield

annual savings of about \$3m from next year. Keebler's headquarters staff was being trimmed, though no big management shake-up was planned.

UB said Keebler was putting a high priority on regaining market share. Since the end of the first half, sales had increased 3 per cent on the comparable period though little margin improvement was expected in the second half because of higher marketing costs.

Keebler planned to re-orient its product strategy and to place more emphasis on supplying private-label groceries to US retailers. Marketing, particularly price promotions, was being reviewed to try to ensure money was spent more effectively.

Mr Eric Nicoli, UB's chief executive, said Keebler remained committed to all its main product lines and was not expected to undergo any fundamental change in strategy or radical restructuring.

Mr Robert Clarke, chairman, said the group's UK and continental European operations had performed well in difficult circumstances. He expected no real improvement in trading conditions in the second half, and margins would remain under pressure.

In continental Europe, trading profit rose to £10.4m (£9.3m) on sales of £191.4m (£187m). The increase was due entirely to a strong performance by McVitie's whereas KP's profit



Branded: Robert Clarke (left) and Eric Nicoli sampling some of their products

in the region fell 9 per cent, due partly to investments in marketing and distribution in Spain and Portugal. UB's recent continental acquisitions had all performed well.

In the UK, trading profit edged up to £64.7m (£64.4m) on sales of £808.3m (£834.4m). Sales by both McVitie's and KP

fell in the face of declining biscuit and snack markets, though KP's market share edged up slightly.

Terry's increased profit slightly to £3.2m (£3.1m) on sales ahead by 11 per cent to £83.9m despite a further weakening of the market for boxed chocolate assortments. Profit

at the Ross Young's frozen foods business held steady at £14.2m (£14.1m) on lower turnover of £283.2m (£281.6m). Earnings per share were 9.9p (11.6p) fully diluted and 9.7p (12p) undiluted. An unchanged interim dividend of 5.5p has been declared.

See Lex

## Evered Bardon declines 55% and cuts dividend

By Andrew Taylor,  
Construction Correspondent

EVERED BARDON yesterday became the latest British construction group to cut its interim dividend after a sharp fall in first half pre-tax profits.

The building materials group, which has seen its share price fall by two thirds since the spring, said that its main markets in the UK and US had continued to suffer due to the recession in both countries.

Mr Peter Tom, chief executive, said there was no sign of any recovery in the UK. Improvements in the US, due to higher spending on infrastructure by some states, was patchy and still had to show through in higher profits.

He appealed to the British government not to cut investment in roads in the autumn spending round, which he said would be disastrous for an already severely weakened UK construction industry.

Pre-tax profits during the first six months of this year fell by 55 per cent from £10.3m to £4.6m. The company is cutting its interim dividend from 1.95p to 0.8p.

The shares which have fallen from a peak of 87p since May, were unchanged at 27p after yesterday's announcement.

In the UK, operating profits fell from £11.5m to £3.3m as volumes and margins for sand and gravel came under increasing pressure. Sales of crushed rock and coated stone have increased but margins for blacktop were relatively thin.

US profits fell from £7.4m to £4.7m. Mr Tom said the decline appeared worse than it was because the results included first-time figures from Massachusetts for January and February - months in which the state traditionally incurs losses.

On the positive side, the group's net debt had fallen to £336m. This compared with £300m at the corresponding stage last year. Gearing, despite the debt reduction, remains at 71 per cent if £25m of convertible preference stock is included as borrowings.

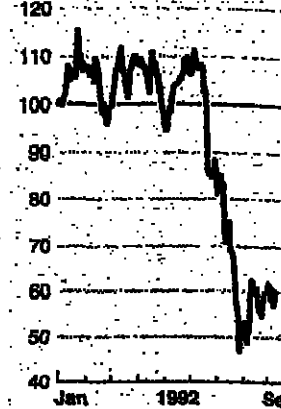
Mr Tom said that disposals in the US should reduce net debt to about £200m, excluding preference shares, by about the year end.

COMMENT

Evered is paying the price for its ambitious acquisition policy in the late-1980s which left the company saddled with large debts just as construction mar-

## Evered Bardon

Share price relative to the FT-A Building Materials Index



Source: FT Graphs

kets were falling in the UK and US. Peter Tom is working hard to cut costs and raise cash through disposals. He is doing all the right things but it is going to be a very long haul and the UK market could be still be moving against the company - particularly if the government trims road spending in the autumn expenditure round. The US looks a little brighter but recovery is likely to be slow with the economy still struggling to get into gear. Profits of £15m would put the group on a prospective p/e of 13, which is high enough.

## Speyhawk reduces loss to £9.5m

By Vanessa Houlder,  
Property Correspondent

SPEYHAWK, the property developer that is trying to restructure its debts of more than £300m, yesterday announced a pre-tax loss of £9.5m for the six months to end-March.

That compared with a £10.58m loss for the same period last year and followed a deficit of £216.8m for the year

to September 30 1991, when it made £205m of provisions against its properties.

Mr Trevor Osborne, chairman, said he hoped to be able to report the successful outcome of its restructuring discussions "before Christmas".

The talks, which began over a year ago, have been drawn out because of the large number of banks involved.

In April, the company said

that its 46 banks and lending institutions, led by Barclays and Citibank, had agreed in principle to restructure their loans of £303m and provide it with working capital for four years.

Speyhawk's heavy losses have made the company technically insolvent, with liabilities that exceed assets by about £80m.

In his statement, Mr Osborne underlined the depressed state

of the property market, which is in its worst recession for over 50 years.

"There are no signs of an immediate improvement in market conditions, making any return to profitability unlikely for some time," he said.

He blamed the company's "disappointing" level of lettings on the oversupply of office space in London and the recession, which curtailed demand.

As a result, few fully let properties were put on the market, which was "stagnant and somewhat unresponsive". Sales consisted of a number of small transactions.

For the first six months turnover of £10.74m compared with £42.54m. Interest costs amounted to £9.54m, while overheads were £2.6m.

Losses per share were reduced from 45.8p to 41.3p.

## BIL expects some Gibbs family acceptances

By Roland Rudd

BRIERLEY INVESTMENTS Limited, the New Zealand investment company traded on the USM, yesterday posted the offer document detailing its £11m hostile bid for Gibbs Mew, the USM-quoted brewer and property development group.

Although nearly 60 per cent of the shares are owned by the Gibbs family and directors, Mr Stephen Bellamy of BIL, said he was confident that the 200p per share offer would prove tempting to some members of the family.

"We believe some of them, controlling 18 per cent of the shares, may accept our offer," he said. He is also targeting non-family board members such as Ms Tessa Brook, who controls about 9 per cent of the shares.

BIL owns 18.7 per cent of Gibbs after the group's biggest shareholder, Scottish Amicable, sold its 7.8 per cent stake in July.

The offer document says Gibbs' property profits had proved transitory. The commercial property subsidiary, which contributed £1.4m in pre-tax profits between 1988 and 1990, made aggregate pre-tax losses of more than £700,000 in 1991 and 1992.

The pre-tax profit amounted to £633,000 (£673,000) for the 12 months to March 28.

Mr Peter Gibbs, chairman of Gibbs after the group's significant undervalues Gibbs' assets and prospects. It represents an unwelcome attempt to obtain the company's assets on the cheap.

Glaxo Pre-tax profits of Glaxo increased by 11 per cent from £1.26bn to £1.43bn in the year ended June 30 1992. In a report in yesterday's Financial Times the figures were incorrect.

None of the prospective

By Paul Taylor

LILLEY, the Glasgow-based contracting and construction group which has been among the hardest hit by the collapse of the property development market, yesterday omitted its interim dividend.

The group achieved an 18 per cent rise in pre-tax profits to £2.05m for the half year to June 30. However, the rise reflected a cut in interest charges from £2.51m to £1m. At the operating level, profits were down from £3.48m to £2.31m with the contracting contribution down by £1.83m to £2.23m.

The passing of the interim dividend - 1p was paid previously - was blamed on a continuing "hostile and uncertain" climate.

Mr Lewis Robertson, chairman and one of the UK's leading company doctors, commenting on the group's interim results and depressed share price, emphasised that Lilley was still at a reasonable level, but business had been increasingly hard to secure and margins had been eroded throughout the industry.

21.5 per cent stake in Lilley last autumn.

He expressed hope that the publication of the interim results would "dispel unfounded market concern about the group's position," and said action to reduce group borrowings was continuing.

In particular, he noted that the unwinding of joint commitments with London & Edinburgh Trust earlier this year had reduced borrowings by about £10m, surplus housing land had been sold for £3.75m and Lilley's interest in the New Hong Tunnel Company had been sold raising a further £3.1m.

Group turnover for the opening half year fell to £158.34m (£162.16m) and earnings, per share slipped to 0.75p (0.81p). Annual overheads have been reduced by £4m following a review.

Turnover of the contracting operations fell to £117.4m (£122.6m). Lilley said work had been still at a reasonable level, but business had been increasingly hard to secure and margins had been eroded throughout the industry.

Turnover from specialist construction fell slightly to £35.6m (£37.3m) but operating profits fell more sharply to £441,000 (£2.14m) reflecting reduced volumes in piling and US leasing businesses.

In property development and housebuilding, operating losses were reduced to £359,000 after recording a £391,000 gain on the sale of the group's investment in Caledonian Land. In 1991, the section posted a £2.73m operating loss.

COMMENT

Lilley has been working as hard as it can just to survive. It is making all the right moves by cutting overheads, selling assets, reducing debt and getting out of the property development business. But although this seems to have satisfied its bankers and its new Spanish shareholders, the market has remained uneasy. Yesterday the stock gained 1 1/2p to 37p. With full-year pre-tax profits forecast at around £3m the prospective p/e is 4. But with no yield to speak of this is not a stock for the timid.

## Southend Property disposal

SOUTHEND Property Holdings yesterday announced the sale of a Bedfordshire shopping centre for £17m, writes Vanessa Houlder.

The buyer's identity was not disclosed.

The disposal will reduce Southend's gearing to about

106 per cent, on net debt of £120m.

The cash element of the equation had stood at £21m before the sale.

Southend said the move furthered its policy of creating cash resources to provide it with security and place it in a

position to act immediately on favourable opportunities.

The Quadrant Centre in Dunstable, which was constructed in the 1960s, is producing about £1.7m of rental income.

It was included in Southend's accounts for the year ended March 31 at £17.5m.

## NEWS DIGEST

## Co-operative Bank raises provisions

BAD DBT provisions at Co-operative Bank rose by 11 per cent during the 26 weeks to mid-July, compared to the same period last year, writes David Barclay.

However the bank which lost £8m in 1991 showed signs of a recovery this year. Though its loan book contracted, reflecting reduced demand in

the market and tougher credit conditions, retail deposits were said to have grown steadily in the half year, leaving the bank highly liquid.

Pre-tax profits were £3.5m, up from £700,000, after a 12 per cent rise in operating profits during the half year. The bank, which is mutually owned, paid out £2.8m in dividends on its preference shares.

Elys (Wimbledon) suffers 40% fall

Elys (Wimbledon), the department store, suffered a further

setback in the first half with a 40 per cent fall in pre-tax profits from £203,000 to £121,000.

Turnover for the 26 weeks to August 1 was virtually static at £5.71m. The interim dividend is being maintained at 1.5p, payable from earnings per share of 6.7p (11.2p).

The company said trading conditions in the first half had proved difficult, with the continuing recession coupled with job insecurity and falling house prices eroding customer confidence.

Swallowfield almost halved to £421,000

Swallowfield, the manufacturer of perfumes and cosmetics, reported pre-tax profits almost halved, from £804,000 to £421,000, in the 24 weeks to June 13.

The outcome was achieved on turnover down by some £900,000 to £8.6m. Earnings emerged at 2.2p (4.6p) per share and the interim dividend is being maintained at 2.5p.

Mr Terry Organ, chairman, said sales and profits had been lower than hoped because of the downturn in high street sales.

Peter Parker, said the improved results reflected continuing strong progress in the European leisure operations and the group's now low exposure to the UK commercial property market.

The "strong balance sheet" and negligible gearing at the year-end was helped by the commercial property disposal programme. There were only two properties remaining with an aggregate book value of £2.95m, he said.

The board believed that with a portfolio of "outstanding projects" the process of increasing shareholder value "was already underway".

£99,000 loss at Thomas Walker

Thomas Walker, a maker of metal components for the clothing industry, swung from profits of £56,000 to losses of £99,000 pre-tax for the year to end-June.

Losses per share of 1.42p compared with previous earnings of 0.38p and a reduced final dividend of 0.4p (0.7p) makes a 0.58p (0.88p) total. Turnover slipped to £3.42m (£3.48m).

## Arcadian deficit cut sharply

Arcadian International, the leisure development group, cut its pre-tax losses from £3.6m to £533,000 for the year to April 30.

Exceptional credits of £187,000 compared with previous provisions of £194m. Net interest payable was cut to £171,000 (£484,000). Turnover totalled £6.34m (£10.7m) and losses per share 10p (32.2p).

The board, chaired by Sir

## Berry Starquest net asset value falls

Berry Starquest, the investment trust, saw its net asset value fall from 181.2p to 157.1p over the six months to July 31. The company blamed the recession and investors' attitudes to smaller companies.

A year earlier the net asset value had been 177.5p. Net profit for the six months was lower at £40,000 (£119,000) for earnings per share of 0.8p (2.3p).

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Elys (Wimbledon)	1.5	Dec 7	1.5	-	16
Evered Bardon	0.8	Nov 27	1.935	-	5.595
JUS	2.5	Nov 16	1	-	2
Lilley	nil	-	-	-	-
Swallowfield	2.2	Oct 30	2.2	-	6.1
United Biscuits	5.5	Jan 5	5.5	-	15.3
Walker (Thos)	0.4	Nov 6	0.7	0.58	0.88

Dividends shown pence per share net except where otherwise stated. Ton increased capital. \$USM stock.

LONDON RECENT ISSUES									
Issue Price	Amount Paid up	Latest Return Date	1992 High	1992 Low	Stock	Closing Price	Div	Net Div	Times Yield %
100	100	1992	100	100	Billy	90	15	15	7.8
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10

FIXED INTEREST STOCKS									
Issue Price	Amount Paid up	Latest Return Date	1992 High	1992 Low	Stock	Closing Price	Div	Net Div	Times Yield %
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10

RIGHTS OFFERS									
Issue Price	Amount Paid up	Latest Return Date	1992 High	1992 Low	Stock	Closing Price	Div	Net Div	Times Yield %
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10
100	100	1992	100	100	Barclays	100	10	10	10

Dividend and yield based on prospectus or other official estimates for 1991-92. 1 Dividend and yield based on prospectus or other official estimates for 1992. 2 Gross. 3 Forecast annualized dividend, cover and yield ratio based on prospectus or other official estimates. W Pro Forma figures, 4 Issued by way of capitalization; 5 Introduction; 6 Placing price; 7 Redefinition; 8 Utilized net proceeds, 9 Listed in connection with reorganization, merger or takeover; 10 Price at a premium; 11 Units comprising 30 Units, and 7 Zero Div. Prefrs. and 4 Support. Pref. Shares; 12 Units comprising 3 Units, and 1 Warrant.



M-T-W-T-F-S-S



## ECONOMIC DIARY

TODAY: European Community foreign affairs ministers meet at Brockett Hall, Hertfordshire. Arab foreign ministers meeting in Cairo to discuss eliminating weapons of mass destruction in the Middle East.

TOMORROW: National savings results (August). That general election.

MONDAY: Dailymail preliminary figures.

TUESDAY: Company liquidation (second quarter). Producer price index numbers (August). US consumer price index (August); retail sales (August); real earnings (August); and current account (second quarter). Deadline for final payment on shares sold in the privatization of the regional electricity companies. Start of two-day meeting in Pyongyang between the prime ministers of North and South Korea.

WEDNESDAY: Public sector borrowing requirement (August). Retail sales (August). US industrial production, capacity use (August); business inventories (July). Commonwealth finance ministers meet in New York. Financial Times/Financial Adviser hold conference "Retail Investment Regulation - The new regime" at the London Marriott Hotel.

THURSDAY: Provisional figures of vehicle production (August). Index of production (July). Labour market statistics: unemployment and unfilled vacancies (August-provisional); average earnings indices (July-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Labour force survey (May-May 1992). US merchandise trade figures (July). Annual meetings of the International Monetary Fund and World Bank Group in Washington (until September 24).

FRIDAY: Major British banking groups' monthly statement (August). Provisional estimate of monetary aggregates (August). United Kingdom balance of payments (second quarter).

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS Friday September 11 1992

Figures in parentheses show number of stocks per section

Index No. Day's Change % Est. Dividend Yield % (25%) Gross Dividend Yield % (25%) P/E Ratio (1992) High 1992 Low 1992

1 CAPITAL GOODS (175) 683.64 +1.5 8.54 5.51 15.07 22.52 673.53 664.23 679.76 687.25 929.04 20.5 664.23 9/9 1038.07 167.87 50.71 13/12/74

2 Building Materials (23) 639.14 +2.4 8.27 8.66 16.74 27.19 623.86 617.65 636.17 652.99 1121.52 11.5 617.65 9/9 1381.06 167.87 71.48 2/12/74

3 Consumer Goods (27) 498.89 +1.9 5.08 10.84 65.60 25.74 489.76 485.72 505.17 517.77 1061.64 11.5 485.72 9/9 1951.50 167.87 71.48 2/12/74

4 Electronics (27) 1082.22 +0.4 8.60 4.59 14.50 46.63 1085.64 1079.14 1080.13 1075.75 2080.44 13.5 1055.93 13/1 2308.22 195.09 122.01 8/10/95

5 Engineering-Aerospace (6) 288.07 +2.4 12.52 5.05 10.14 13.53 281.43 280.79 289.88 378.57 105.10 20.5 280.79 9/9 502.42 13/6/70 280.79 9/9 9/92

6 Engineering-General (43) 417.68 +2.2 9.73 5.75 13.10 13.00 409.59 409.31 417.79 501.51 567.62 20.5 409.31 9/9 567.62 20.5/7 339.57 23/1/71

7 Media and Mass (7) 267.74 +2.2 8.49 8.17 22.40 7.30 261.85 256.23 265.51 488.40 379.31 18.5 255.51 8/9 596.67 9/10/87 488.40 6/1/75

8 Motors (14) 286.36 +0.8 9.56 8.28 13.41 14.02 282.77 282.44 285.35 364.70 403.08 21.5 274.42 1/9 41.42 13/10/87 18.91 6/1/75

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## INTERNATIONAL COMPANIES AND FINANCE

## Sweden draws up contingency plan to bail out banks

By Robert Taylor and Sara Webb in Stockholm

THE Swedish government is preparing contingency plans to save the country's banking system from possible collapse.

Faced with estimated credit losses for all Sweden's banks of up to SKr90bn over the next few years, the finance ministry is drawing up options for action should the position worsen.

Mr Urban Bäckström, under secretary at the finance ministry, said the measures included the state acquiring the bank's bad debts or setting up some form of insurance to curb their credit losses. The banks would have to guarantee to repay the state over a number of years.

However, Mr Bäckström ruled out taking the banks into state ownership. "We don't want the government to own banks," he said. "We have seen from the experience of other countries that this is inefficient," referring to Norway and Finland.

The cost to the government of any further bank rescue could be substantial. He said: "Everybody will have to pay for achieving stability as taxpayers and customers."

"Foreigners and creditors to the Swedish banking system should not feel worried because the government will defend it."

Earlier this year the Swedish government carried out *ad hoc* rescues of Nordbanken, with SKr20bn in loans and guarantees, and Forsta Sparbanken, the savings bank with SKr7.3bn. And this week the government was forced to guarantee all the obligations of Gota Bank, Sweden's fourth

largest commercial bank.

But Mr Bäckström said the state had to prepare for a "worst case scenario" with a comprehensive strategy "taking a whole grip of the banking system".

The troubles of Sweden's banking sector increased yesterday when Moody's Investors Service said it was reviewing the possible downgrading of the long-term debt ratings of the country's leading commercial banks. These are Skandinaviska Enskilda Banken, Svenska Handelsbanken, Nordbanken and Swedbank, the savings bank.

Mr Björn Sprangare, chief executive of Trygg-Hansa - the insurance conglomerate which is Gota Bank's chief shareholder - said yesterday his company would continue to provide financial support for the bank as long as this did not put at risk Trygg-Hansa's financial position.

His remarks cleared up confusion earlier this week, when it appeared Trygg-Hansa thought the Swedish state would be responsible entirely for Gota's financial rescue. Under pressure from the finance ministry, Mr Sprangare accepted that Trygg-Hansa would continue to "contribute to a solution which limits the burden on taxpayers".

At the same time the Swedish government emphasised it will guarantee all the activities of Gota Bank to individual customers, corporations and other creditors, until a solution is found for its future. This followed the bank revealing that credit losses for this year would mount to SKr8bn, with an operating deficit of between SKr3bn and SKr4bn.

## Nestlé's first-half profits jump 16.5%

By Ian Rodger in Vienna

NESTLÉ, the world's largest foods group, has reported a 16.5 per cent jump in consolidated net profits for the first half to Sfr1.18bn (\$960m) on sales up 13.3 per cent to Sfr26.3bn.

The group, which acquired Source Perrier, the leading French mineral water group, in July, said sales volume growth of 3.3 per cent would be maintained or improved in the second half. But it warned that if the dollar and yen remained weak and the Swiss franc strong against other European currencies until the year-end, the profit growth rate would slow.

Volume growth in all regions was over 4 per cent, except in Brazil where it declined after a very strong 1991. Margins improved "significantly" in all areas except Europe.

Net financing costs rose 26 per cent to Sfr307m, reflecting higher interest charges and a 9.4 per cent rise in net borrowings to Sfr7.1bn at June 30 compared with a year earlier. The 1992 net debt figure was struck before paying Sfr3.4bn for Perrier.

Capital spending rose 16.3 per cent to Sfr1.3bn during the first half. Perrier will be consolidated from July 1.

See Lex

## John Labatt to spin off its dairy division

By Bernard Simon in Toronto

JOHN LABATT, the Canadian beer and entertainment group, is spinning off its dairy division into a separate, listed company.

Labatt, controlled by Toronto's Bronfman family, is also paying a special dividend totalling C\$275m (\$225m) or C\$3 a share.

The dairy business has revenues of about C\$3bn a year from operations in the US and Canada. Labatt has withdrawn from numerous food-processing ventures over the past few years, and the creation of a separate dairy company is a further effort to concentrate on its brewing and entertainment interests.

Separately, Labatt reported a 13 per cent rise in first-quarter earnings from continuing operations to C\$52m, or 55 cents a share, from C\$46m or 47 cents. Revenues rose by 12 per cent to C\$1.12bn.

## Japan's steel groups slash profit forecasts

By Robert Thomson in Tokyo

JAPAN'S leading steel makers yesterday announced sharp downward revisions of profit estimates for the first half to end-September, and they are likely to apply for government subsidies to help cover the cost of transferring and retraining idled workers.

Nippon Steel, the country's largest producer, forecast a 74.8 per cent fall in pre-tax profit to Y14bn (\$113.8m) compared to the same period last year, and said the effects of the government's just-announced emergency economic package would come too late to bolster profits this year.

Other makers expect similar profit falls, with Kobe Steel down from Y18.9bn last year to Y8bn, Kawasaki Steel's profit to be halved to Y4bn, Sumitomo Metal Industries down from Y24.2bn to Y4bn, and NKK falling from Y14.1bn to Y5bn.

The industry is suffering because of falling sales to most of its leading customers.



NKK's steelworks at Ohgishima

including the car, construction, and consumer electronics industries, and because streamlining programmes begun in the mid-1980s were derailed during the easy money era of the late 1980s.

An application for government subsidies would signal a return to streamlining, as the last application was made after

appreciation of the yen prompted a sharp fall in crude steel production in 1986. However, demand rose in 1990, as domestic car sales soared and speculative developers fuelled construction orders.

The downturn over the past year has also highlighted unwise diversifications made by steel makers attempting to

employ idle workers in ventures ranging from amusement parks to bicycle factories.

Companies have been forced to review those investments, and it appears likely that workers will be retrenched over the next year.

Nippon Steel said sales for the first half are likely to fall 6.4 per cent to Y1,190bn, while

pre-tax profit for the full-year is expected to fall 60 per cent to Y400bn on a 9 per cent fall in sales to Y2,400bn. The company's crude steel production is forecast to fall 14 per cent in the first half.

"We should feel some effects of the economic package, but a real recovery will not come until next fiscal year. Crude steel production in the second half is likely to be a bit higher than in the first half," Nippon Steel said.

Steel companies are expected to benefit from a rise in public works investment as part of the Y10,700bn economic package announced in August in an attempt to revive the ailing economy. But it is unclear whether the package will stabilise crude steel demand.

Kobe sales are likely to fall 6 per cent in the first half, while Kawasaki is expecting sales of Y500bn, down from Y592bn. Sumitomo predicted sales would fall from Y650bn to Y350bn. However, NKK's sales are still forecast to rise slightly from Y596bn to Y600bn.

## Mazda Motor to trim payout as it loses market share

By Steven Butler in Tokyo

MAZDA Motor, the Japanese car maker, yesterday cut its profit estimate for the year by more than half and said it would cut its dividend payment.

The move comes in response to the weak state of the domestic market, which has cut heavily into Mazda sales. Mazda, however, is facing an especially difficult situation compared to most Japanese car makers.

It is losing market share in a declining market. At the same time it faces an enormous depreciation charge following a period of high investment to expand capacity made when it expected the market to continue growing rapidly.

Mazda said its parent-company pre-tax profits in the year to March 1993 would come to only Y7bn (\$57m), 64 per cent lower than last year's Y19.67bn in pre-tax profits, and 86 per cent below profits seen two years ago.

It said it would cut its interim dividend from Y3.5 a share to Y3 a share, and reduce the second-half payout from Y4 to Y3 a share, resulting a 20

per cent cut in the full-year distribution.

Like other Japanese car makers, Mazda has been forced to cut sales projections in response to the rapid cooling of consumer spending at home. Mazda had expected to increase unit sales this year, but now says sales will fall from 550,000 to 520,000 units at home. Exports are expected to be down by 80,000 units to 800,000 units.

As a result, Mazda expects the value of sales to decline by less than 1 per cent to Y2,290bn.

Net after tax income is projected to decline from Y9,270bn to Y3,510bn.

Mazda is also expected to cut further into capital spending, bringing this down to Y125bn, compared to Y148bn last year.

Mazda geared up strongly for growth in the late 1980s, and last year finished restructuring its domestic sales network into five channels, each of which must be supplied with a range of different vehicle models. The cost of investing in the sales network plus the high cost of developing so many new models is now weighing heavily on the company.

Toyota is the only other domestic car company which maintains so many sales channels, but its sales are about 5 times larger than Mazda's.

Mazda also appears to have been caught by the shift of consumer tastes in Japan toward more conservative goods.

Its range of vehicles are probably the most radically styled on the road in Japan, which would probably have won it many customers at the time the expansion was planned.

Now, however, it continues to lose market share to other companies whose models are arguably more dull.

September and October to reduce production and bring down bulging inventories.

These short-term measures, however, now appear to be insufficient.

The company is also considering plans to chop back on headquarters management staff by retraining personnel and sending them to work in sales or maintenance.

Hitachi has yet to issue a formal revision of its profits forecast, but a company spokesman said pre-tax profits would likely fall below Y100bn (\$813m) in the year to March 1993, from Y128.9bn last year.

Hitachi faces slow sales across a wide range of product areas, including semiconductors and computers. But its electrical power division is performing well because of projects in Japan.

Hitachi cuts audio-visual workforce by about 20%

By Steven Butler in Tokyo

THE steep decline in Japan's consumer electronics market is forcing Hitachi, Japan's largest electrical machinery company, to cut its workforce in the audio-visual division by 20 per cent this year, or by about 600.

The move by one of Japan's most prominent companies is a sign of the depth of the recession in the industry. Cutting employment is the last resort for a company like Hitachi, and a clear sign that the market is not expected to recover.

The 800 employees do not face redundancy but will be transferred to other divisions or affiliated companies, of which Hitachi has a vast network. The company has already ordered 2,200 workers who were making video recorders to take extra holidays in

## Syndicated Ecu8bn loan sought to support krona

By Sara Webb in Stockholm

SWEDEN plans to launch an Ecu8bn syndicated loan in the international credit market as part of the Ecu8bn financing being used to help support the krona in the foreign exchange markets.

The Swedish currency came under pressure earlier this week after Finland cut the markka's link with the Ecu, allowing it to float against other currencies.

Sweden was hit by a sudden outflow of capital, and the Riksbank, the country's central bank, was forced to push its marginal lending rate up to 75 per cent, from 34 per cent, to defend the Swedish currency.

The Riksbank said it would add foreign currency worth up to Ecu16bn to its foreign exchange reserves, using borrowings made on its own behalf and on the part of the National Debt Office. The Ecu8bn syndicated loan, being co-ordinated by J.P. Morgan, constitutes half this borrowing.

The remainder of the Ecu16bn earmarked for supporting the krona has been raised already. The National Debt Office said it has drawn on US and Euro-commercial paper programmes amounting to \$5bn and two standby credit facilities totalling \$3.4bn, while the Riksbank has drawn on existing agreements with other central banks.

## Shake-up at Nikko Securities

By Robert Thomson in Tokyo

NIKKO Securities, Japan's third largest broker, is apparently in the final stages of preparing a streamlining programme that may lead to the closing of domestic and international branches and cuts to its workforce.

The company confirmed yesterday that it will transfer the operations of its Copenhagen office to London at the end of this month, and merge the business of the San Francisco office of Nikko Securities International with that of the Los Angeles office.

Japanese newspapers reported that the company may reduce its 11,000-member workforce by 1,700 as part of a three-year review programme and that about 10 domestic branches would be closed, but the company did

not confirm those reports.

Most Japanese securities houses are being forced to review staff and branch numbers, as the continuing weakness of the Tokyo stock market, combined with the rapid expansion of the industry during the late 1980s, has left companies with unsustainable personnel costs.

However, in a decision that runs against the tide, Nikko said that two affiliates, Daiwa Research Center and Nikko System Center, would share a new San Francisco office from January next year to research "information technologies".

The Bank of Tokyo Ltd group has agreed to use Y2.4bn to finance Daiwa Securities, an unlisted brokerage which has been hit by the ongoing stock market slump. Reuter reports from Tokyo.

Daiwa will increase its cap-

ital through the allocation of new shares to a third party with the support of the Bank of Tokyo group, a leading Daiwa shareholder.

Daiwa will receive payment on September 28.

With the Bank of Tokyo group's financial support, Daiwa will be able to increase its capital by Y2.4bn to about Y3,280m. Also, Daiwa will be able to raise the percentage of self-owned capital to 300 per cent, and meet self-owned capital regulations.

It is currently down to about 120 per cent, he added. The brokerage posted a pre-tax loss of Y2,310m for the year to March 1992, due to the sluggish stock market in Japan. Daiwa appointed as president a former Bank of Tokyo official, Mr Yoshiaki Ara, as a part of its restructuring process supported by the bank.

## Hitachi cuts audio-visual workforce by about 20%

By Steven Butler in Tokyo

THE steep decline in Japan's consumer electronics market is forcing Hitachi, Japan's largest electrical machinery company, to cut its workforce in the audio-visual division by 20 per cent this year, or by about 600.

The move by one of Japan's most prominent companies is a sign of the depth of the recession in the industry. Cutting employment is the last resort for a company like Hitachi, and a clear sign that the market is not expected to recover.

The 800 employees do not face redundancy but will be transferred to other divisions or affiliated companies, of which Hitachi has a vast network. The company has already ordered 2,200 workers who were making video recorders to take extra holidays in

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1992	High 1992	Low 1992
Gold per troy oz	\$340.25	-125	\$344.50	\$358.40	\$335.20
Silver per troy oz	182.10p	+3.83	229.75p	242.70p	187.50p
Aluminium 99.7% (cash)	\$1272	-5	\$1224.5	\$1248.0	\$1105.5
Copper Grade A (cash)	\$1246.5	-9	\$1250.5	\$1340.5	\$1125.0
Lead (cash)	\$237	+1	\$233.25	\$283.5	\$275.50
Nickel (cash)	\$9397.5	-142.5	\$9577.5	\$9185.0	\$9813
Zinc SHG (cash)	\$1380	-17.75	\$1397.5	\$1467.5	\$1262.5
Tin (cash)	\$8885	-40	\$8925	\$9115.0	\$8425.0
Cocoa Futures (Dec)	\$321	-10	\$331	\$373	\$253
Coffee Futures (Dec)	\$78	-2	\$80	\$101.5	\$67.5
Sugar (LDP Raw)	\$254.2	+4.8	\$238.5	\$272.6	\$193
Barley Futures (Nov)	\$112.70	-0.05	\$113.40	\$123.90	\$106.80
Wheat Futures (Nov)	\$115.50	-0.30	\$116.90	\$131.85	\$109.85
Cotton Futures (Oct)	\$58.85	-1.25	\$60.10	\$65.25	\$53.25
Cotton Outlook A Index	n/c	n/c	357.0	480.0	354.0
Oil (Brent Super)	\$20.425x	+0.275x	\$20.225	\$21.30	\$17.00

Per tonne unless otherwise stated. Unquoted prices are p.m. prices. Cents in US dollars.

## London Markets

## SPOT MARKETS

Crude oil (per barrel FOB/CI) + or -

Dubai \$18.45-45 +150

Brent Blend (London) \$20.35-45 +150

WTI 11 (Jan) \$21.90-200 +075

Oil products

INVE prompt delivery per tonne CIF + or -

Premium Gasoline \$217.220

Gas Oil \$197.180 -0.5

Heavy Fuel Oil \$88.90 -1.0

Naphtha \$190.191

Petroleum Argus Estimates

Other + or -

Gold (per troy oz) \$340.25 -0.05

Silver (per troy oz) \$182.10 +3.83

Platinum (per troy oz) \$254.25 -0.95

Palladium (per troy oz) \$939.75 -2.25

Copper (US Producer) 11.1c -3.5

Lead (US Producer) 40.1c +0.7

Tin (Kuala Lumpur market) 16.80p

Zinc (New York) 31.80c

Zinc (US Prime Western) 62.5c

Cattle (live weight) 108.75p -2.8p

Sheep (live weight) 70.12p -1.7p

Pigs (live weight) 75.90p -0.7p

London daily sugar (raw) \$254.25 +7.5

London daily sugar (white) \$254.25 +5.1

Tate and Lyle export price \$229

Barley (English lead) \$112.70

Maize (US No. 3 yellow) \$142.00

Wheat (US Dark Northern) 114p

Rubber (Oct) \$50.50 +0.50

Rubber (Nov) \$50.50 +0.50

Rubber (HSR No. 1 Jul) 215p +1.5

Cocunut oil (Philippines) \$515.00

Palm oil (Malaysia) \$410.00 -5

Copra (Philippines) \$330 -2.5

Soyabean (US) \$134.00

Wool (New Zealand) 38p

Wool (US Super) 38p

Cattle (live weight) 108.75p -2.8p

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## EMS unaffected by dollar rise

BOTH sterling and the Italian lira remained under intense pressure in the European monetary system yesterday despite a strong recovery by the US dollar against the D-Mark.

In an erratic day of trading, the dollar rose nearly 4 pence against the German currency. On previous occasions, the selling of D-Marks for dollars has helped to ease strains in the EMS. But yesterday the lira refused to move off its ERM floor against the D-Mark of 1765.4 for long, despite huge intervention on its behalf from the Bundesbank and the Bank of Italy which bought lire for D-Marks. Sterling retained its beleaguered image, closing a 4 pence up on the day at DM2.7900.

The European currencies failed to respond to the dollar's rise partly because it was not firmly underpinned. There was no significant indicator pushing the US currency up, but it closed at DM1.4500 in London.

Dealers had a pot pourri of reasons for buying dollars yesterday. A Japanese report that the finance ministers of the Group of Seven leading industrial nations would meet next weekend, Mr. Julian Simmonds, head of foreign currency at Citibank, also said that there were increasing signs that the Bundesbank would have to ease monetary policy before the year's end. "But I wouldn't be so bold as to say that the dollar is on the way up again," he added.

One week before the French referendum, EMS currencies would probably not have rallied against the D-Mark in any event. There is profound uncertainty in the market about the future of the European cross rates. Trading remains thin, and most operators are unwilling to keep positions open for long.

One sample of the volatility

in Europe was the performance of the Finnish markka yesterday morning, which gained nearly 3 per cent in value against the D-Mark on very thin trading. Despite this week's devaluation, "It just shows how fickle the markets are," said Mr. Mark Slater, Director of Foreign Exchange at Merrill Lynch in London.

Both the Bundesbank and the Bank of Italy spent billions of D-Marks yesterday trying to push the Italian lira off its ERM floor against the D-Mark. As usual, the currency came under intense pressure at the weekend because of fears of devaluation.

Dealers said that the Bundesbank's obligation to buy the lira on its floor made it the victim of a lucrative ERM arbitrage play. Operators yesterday bought the Italian currency when it dropped below the official ERM floor. They then called the Bundesbank to sell the lira at a guaranteed profit at the ERM floor of 1765.4.

## £ IN NEW YORK

Sept 11	Sept 10	Previous
1.0000-1.0000	1.0000-1.0000	1.0000
1.0000-1.0000	1.0000-1.0000	1.0000
1.0000-1.0000	1.0000-1.0000	1.0000
1.0000-1.0000	1.0000-1.0000	1.0000

Forward premiums and discounts apply to the US dollar

## STERLING INDEX

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

## CURRENCY MOVEMENTS

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

## CURRENCY RATES

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

## OTHER CURRENCIES

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

## FORWARD RATES AGAINST STERLING

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

## FINANCIAL FUTURES AND OPTIONS

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00
100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Sept 11	Sept 10	Previous
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Sept 11	Sept 10	Previous
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Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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Sept 11	Sept 10	Previous
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Sept 11	Sept 10	Previous
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Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
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100.00	100.00	100.00

Morgan Guaranty changes: average 1989-1992-1993, 100.00; 1994-1995, 100.00

Sept 11	Sept 10	Previous
100.00	100.00	100.00
100.00	100.00	100.







## LONDON STOCK EXCHANGE

## Strong gains in dollar-earning stocks

By Terry Byland  
UK Stock Market Editor

STRENGTH IN the US dollar boosted the big overseas earning stocks in London yesterday, counterbalancing a more cautious response to sterling's performance against the D-Mark. The strongly-worded rejection from the UK prime minister of suggestions of realignment of the pound in the European exchange rate mechanism calmed recent uncertainties.

Domestic issues, including many leading retailers, found encouragement from the latest UK inflation statistics, showing an annualised increase of only 3.6 per cent, the lowest for four years. By the close, the FT-SE 100 index was more than 30

Account Dealing Dates		
First Accounting Date	2nd	3rd
2nd Accounting Date	3rd	4th
3rd Accounting Date	4th	5th
4th Accounting Date	5th	6th
5th Accounting Date	6th	7th
6th Accounting Date	7th	8th
7th Accounting Date	8th	9th
8th Accounting Date	9th	10th
9th Accounting Date	10th	11th
10th Accounting Date	11th	12th

New share deals may take place from 2.30 am on business days earlier.

points higher, although traders warned that confidence remained fragile. Traders appeared surprised at yesterday's further advance in the Footsie Index, which brought a closing level of 2,370.3 up 30.8 on the day. The gain reversed what had been a loss over the week to show a net gain of 3.7 points since last Friday's close. Dealers under strict orders not to leave share

positions open in these treacherous markets hurried to buy stock when the market moved forward yesterday.

Equities opened firmly against the D-Mark but soon lost impetus when the pound failed to maintain its initial response to the uncompromising defence of sterling's role in the ERM by Mr John Major, the British prime minister, who said any realignment of sterling's parity would be "a betrayal of our future."

But other considerations were brushed aside in equities by powerful rises in the big dollar-orientated issues, including the oil, pharmaceuticals and international traders. With Glaxo, British Petroleum, Shell, Wellcome and Smith-Kline Beecham all higher in

good turnover, the Footsie Index quickly extended its early gain of 6 points to 32.8.

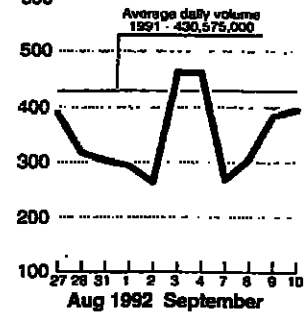
While the UK Retail Price Index was a little better than expected, the favourable response from consumer stocks was unexpected in view of the retail's negative survey of the retail outlook from the Confederation of British Industry.

Trading volume increased after Wall Street opened its new session with a gain of 7 Dow points. Seaquor-recorded volume finally totalled 476.8m shares, just behind the 485.6m recorded on the previous day. However, there were renewed hints that low trading volume is hurting City firms; Thursday's retail business was worth only £200.8m, still on the low side for market profitability.

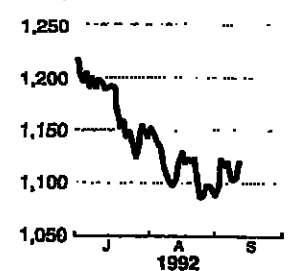
● Retail turnover has remained painfully low, even by comparison with the unprofitable levels of the comparable period of 1991.

## London SE volume

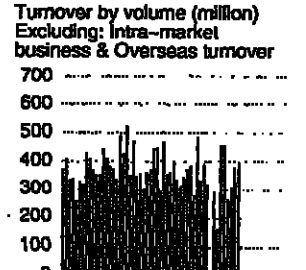
Turnover by volume (million)



## FT-A All-Share Index



## Equity Shares Traded



## Turnover by volume (million)

Excluding intra-market business & Overseas turnover

rent weakness of the economy in both the UK and the US and the weaker dollar for the cut. The shares ended a penny lower at 550p, after turnover of 2.5m.

## MARKET REPORTERS:

Steve Thompson, Joel Kibazo.

Other market statistics, Page 13

## FINANCIAL TIMES STOCK INDICES

	Sept 11	Sept 10	Sept 9	Sept 8	Sept 7	Year Ago	High	Low	Since Completion
Government Secs	88.83	88.91	88.53	88.98	89.46	87.01	89.75	85.11	127.40
Fixed Interest	105.46	105.36	104.90	105.34	105.30	95.86	106.33	97.15	105.35
Ordinary Share	1729.9	1707.4	1696.7	1719.6	1733.4	2058.1	2146.7	1670.0	2149.7
Gold Mines	68.0	65.0	66.6	66.6	72.9	160.2	160.6	65.0	734.7
FT-SE 100 Share	2370.9	2340.6	2327.5	2337.7	2372.2	2626.6	2737.8	2281.0	2747.8
FT-SE Euroshare 200	1076.33	1067.55	1059.84	1066.61	1074.64	1178.65	1048.73	1025.54	1038.76

● Ord. Div. Yield	5.17	5.22	5.23	5.21	5.13	4.63	5.17	4.63	5.17
● Earning Yld (% of Div)	12.02	12.51	12.51	12.51	12.51	12.51	12.51	12.51	12.51
● P/E Ratio (Net)	15.70	16.86	16.86	16.86	16.86	16.86	16.86	16.86	16.86
SEAO Shares 50p	16.412	16.367	16.329	16.329	16.329	16.329	16.329	16.329	16.329
Equity Turnover (m)	900.9	781.7	628.2	628.2	628.2	628.2	628.2	628.2	628.2
Equity Bargain	18.942	18.548	18.782	18.782	18.782	18.782	18.782	18.782	18.782
Shares Traded (m)	206.0	207.5	207.5	207.5	207.5	207.5	207.5	207.5	207.5

## GILT EDGED ACTIVITY

Indices: Sept 10 Sept 9

Gilt Edged 85.0 89.6

5-Day average 82.8 99.6

SE Activity 1974.

Excluding intra-market business and Overseas turnover.

London report and latest share index.

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## Patrick Blum on Portuguese equity performance

a total of \$128m.

## Canada

**TORONTO** kept to lower levels at midday as nervousness over interest rates weighed on the market. Bank shares fell on fears that rising Treasury bill yields might lead to an increase in the Bank of Canada's key interest rate.

The TSE-300 composite index was 5.7 down to 3,458.2 by mid-session. Declines led advances by 212 to 208 in volume of 21m shares.

Among bank shares, Canadian Imperial fell 6% to \$22.2, Bank of Montreal by 3.2% to \$26. Bank of Nova Scotia 5.5% to \$23.3 and Royal 6.3% to \$24.4.

acquisition of Swedish Match. In OSLO the market continued to improve with the all-share index up 4.18 at 313.51, unchanged on the week. Turnover was Nkr218m. Norsk Hydro gained Nkr4 to Nkr134. VIENNA was little changed on the day but up 2 per cent on the week. The ATX index rose 0.53 to 745.85 with Leykam, the paper manufacturer, gaining Sch7 to Sch312, for the day's highest rise. ISTANBUL reached a two month high in spite of some

BBL resumed trading after Thursday's suspension on news that the Dutch insurer, ING, was to make a bid. Its shares closed up Bfr475 to 5.3 shares cent at Bfr3.450 with 19,500 shares traded.

STOCKHOLM closed the week's efforts as investors began to take profits after a central bank effort to defend the krona. The Alfa's financial index rose 13.1 to 720.3, 4.9 per cent lower on the week. Turnover was Skr565m after Skr397m on Thursday.

The banking share index rose 7.3 per cent with SE-banken A shares Skr11 per share.

Procordia B shares rose Skr6 to Skr14.8 after announcing, on Thursday, the sale of its sugar producing subsidiary and

advanced 5 per cent over the week.

Krisda Mahanakorn, a property group, was the day's most active issue, up Bt16 at Bt218.

KUALA LUMPUR investors liquidated positions following the sharp fall in Tokyo, and the KLSB composite index fell 3.40 to at \$80.75, a fraction lower on the week. Fund managers attributed the decline to the shadow of the Malaysian budget next month.

MANILA advanced as a strong performance by PLDT overnight in the US prompted last-minute buying. The composite index gained 4.96 to 1,417.95, a rise of 1.86 per cent on the week.

PLDT added 10 pesos to 975 peso, and combined turnover rose to 287m pesos from 156m

**Elsewhere** News Corp gained 22 cents to A\$23.32 while Foster's Brewing fell 5 cents to A\$1.48 ahead of Monday's annual results.

**BANGKOK** rose further, the SET index gaining 10.70 or 1.35 per cent to 801.90 in turnover of Bt11.15bn. The market has


Yr.	Ind.	Prod.	Notes	Price \$
6.32	10.00	Conversion 10 to 1969		
		Conv 20002s		
		Tires 13 1/2" 1969-04		177
10.01	10.01			177
12.28	10.04	14" 196-01		116 1/2
11.77	8.88	9 1/2" 196-01		182 1/2
13.22	10.01	01-2003		164 1/2
10.01	10.08	1969-01 to 2003-01-04		182 1/2
12.73	10.29	Fending 3 1/2" 199-04		182 1/2
10.00	10.30	Conversion 9 1/2" 199-04		182 1/2
10.00	18.14	14" 196-01		182 1/2
10.00	18.14	14" 196-01		182 1/2
11.88	10.02	Tires 12 1/2" 2003-06		91 1/2
11.88	10.02	Tires 11 1/2" 2003-07		104 1/2
3.51	6.58	12 1/2" 196-01		227 1/2
3.51	6.58	12 1/2" 196-04		227 1/2
11.87	9.98			
12.84	10.13	Over Fifteen Years		
9.15	9.58			189 1/2
12.17	10.14	Conv 5000 196-01		87 1/2
12.17	10.12	Conv 5000 Le 2012		189 1/2
9.97	9.88	Conv 5000 196-01		187 1/2
11.88	10.00	Tires 13 1/2" 2000-12		78 1/2
11.88	10.00	Tires 13 1/2" 2000-12		78 1/2
9.98	9.70	Both 196-01 & 196-04		182 1/2

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12.57	10.07		
9.74	9.72	Undated	
7.48	9.04	Consols 4pc	43 1/2
12.41	9.53	War Loan 3 1/2 pacs	36
10.93	9.84	Conv 3 1/2 pc '81 Afr	62 1/2
8.48	9.46	Treas 3pc '66 Afr	32 1/2
10.98	9.82	Consols 2 1/2 pc	27 1/2
10.07	9.82	Totes 3 1/2 pc	27 1/2

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NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 10 1992	WEDNESDAY SEPTEMBER 9 1992	DOLLAR INDEX
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## LONDON SHARE SERVICE

## AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Stock	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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# Weekend FT

SECTION II

Weekend September 12 / September 13 1992

## Blind justice for the world's wild creatures

**I**N SPITE OF the traumas of the Green Party, whose annual conference this weekend is overhauled by the resignation of half its executive committee, the influence of nature conservationists has never been higher.

The Green movement's dilemma is that many of its proposals would require higher prices, raised taxes, even an economy of zero growth. Fundamentalists refuse to make the compromises which "light" Greens think are needed to drum up popular support. But can the movement's "thou shalt not kill" philosophy really apply to the conservation of wild animals?

Frequently in this debate, being "wild" is not enough. Everybody loves a fawn, and apparent defencelessness. Furriness is better media material than scuttiness - as zookeepers know. Popular support for the cause of wildlife is reinforced constantly by nature films, but many, alas, promote sentimental attitudes which usurp rational decisions on wildlife management based on practical knowledge.

In a recent television programme on Epping Forest, north east of London, the footage was cut and mixed to show a deer-calf being mothered in a sun-dappled glade, the whole pretty scene approved by a watching fox and an owl in a tree. Nature's dynamic has been turned upside down to provide viewers with a spry - but dangerous - emollient.

The real story is very different. The countryside has never been so tame, so returned to suit the purpose of man. Yet it is increasingly alien territory to urban visitors, so much so that a Berkshire farmer has been instructed to remove scarecrows which were frightening rambles.

To take another example, the number of Canada geese in London parks is approaching crisis point. This fact produces columns of letters to newspapers suggesting solutions which are disturbing in their blend of concern for wildlife management - and their utter ignorance of that same subject. The fact that the parks' vegetation is unable to support more birds appears incomprehensible to most writers. Deceived by the park-keepers' clever presentation of an artificial mix and density of waterfowl, commentators are horrified when a goose cull is proposed.

In Noah's Ark we started with a myth of wildlife harmony; in doctored television films (misnamed "documentaries") we consolidated it. Once the criterion for judging culls of birds and animals was "sustainable development": if a habitat could sustain only a limited population of a particular species, culling would be acceptable. This is fast changing. The World Wildlife Fund now opposes killing whales on the grounds that it is simply wrong. But if this applies to whales, why not also to mackerel?

Humans have always given different values to different forms of wildlife. Unfortunately, the attribution of these values is entirely anthropomorphic and has nothing to do with objective standards. This tension between sentiment, ideals and practicality is part of the problem facing the Green movement. It makes it extremely difficult for man to play God with nature.

**S**o, whales, seals and puffins are now described in conservation circles as "charismatic" species.

Whales, to be sure, are complex sentient beings whose mystery is deepened by their faraway haunts. Puffins are probably complex sentient beings too, but primarily they have pretty bills. But other equally striking species - for example the red deer in Scotland - are currently environmental "bad guys" because they chew and destroy hardwood trees.

Then how should environmentalists take the life and death decision about whether an animal deserves to be preserved or culled? The credentials of each species oscillate wildly. Not long ago sheep and their grazing habits were seen to be the principal enemies of heather moorland. Now sheep are too closely associated with bankrupt or suicidal farmers to be a target. There is frequently a hidden special criterion in the vogue of environmentalism. Today in the UK the vast population of rabbits might seem an uncontroversial target for suppression in order to protect the habitat. Conservation bodies are silent about rabbits, not wishing to encourage sport-killing. Rabbits can kill young trees even in spite of the fencing which keeps bigger animals out - but then, so can field voles. A pogrom against voles? Hardly. In Africa, the best friend of natural bushland is the tsetse fly, which

*The Greens hold that all animal life is sacrosanct. But is human emotion blinding man to the harsh reality of wildlife conservation, asks Michael Wigan*

spreads diseases affecting herbivores. Although cattle ranchers are trying to eradicate the fly the malarial tsetse remains unchallenged, even though its survival is vital to the African bush. Domestication has made the destructive rabbit seem friendly; the valuable tsetse fly remains a hostile alien.

The public idea of what makes an animal or bird ecologically "good" have much less to do with its true characteristics than with the human perceptions of that animal or bird. The fox, for example, attracts sympathy in spite of its undoubted destructiveness. Australia's tin foxes have so far eradicated 16 native species. Foxes are one of the few carnivores which kill for fun, and joy-killing is a biological oddity. British sympathy with the fox results from a stronger dislike of its horse-riding oppressors.

The Royal Society for the Protection of Birds (RSPB) has recently made a brave decision concerning foxes. Its programme to reintroduce capercaillie to its Highland estate of Abernethy was being frustrated by large numbers of the birds' predators - foxes and crows. In spite of the problems of persuading its 800,000-strong, mostly urban, membership of the rightness of the policy, the society has decided to experiment with predator control.

Abernethy remains a sensitive case because it is in the Cairngorms, presently the site of a complicated tug-of-war between developers, traditionalists, and fringe Greens. There have been fierce protests at the recent decision at Balmoral to fence out red deer in order to save the ancient Caledonian pine forest of Balmoral. No one disputes the rightness of the objective.

But local conservationists have said that capercaillie and other game will be killed flying into the deer fence. Nobody troubled to look at the traditional use of deer fences in capercaillie forests, in which heather was tied to the top wires so that the birds could see them. Local game managers, approaching the job without prejudices, are one step ahead in their use of wildlife-friendly anti-cyclone fencing, which pushes in when hit, then bounces back.

Indeed, in spite of the silliness of the extreme "dark" Greens, it is widely recognised that in an environment created by man, man has a responsibility to exercise control and to maintain healthy balances. This has produced some ethical teasers. On one occasion the RSPB killed many predatory gulls, which were multiplying in large numbers, in order to save a rare species of tern. Recently, another rare tern colony has been protected from kestrels by providing the predators with alternative food supplies.

These pro-active interventions would appear to make sense in a world too often overheated by ill-informed sentimentalism. But what action is appropriate on the Shetland island of Foula, where calcium and phosphorous-starved sheep

have been eating young seabirds? Do we have the right to stamp on this evolutionary oddity, or not?

Moreover, the selective favouritism in our attitude to God's creatures is never more strained than when under pressure from his premier creation: man. In Canada, the authorities would yield position to few countries in their commitment to species conservation and professionally-managed wildlife systems. But the controls on hunting and fishing permits, the sale of game meat and fish (both prohibited), and habitat protection apply only to white Canadians. The native peoples - Eskimos and Indians - are exempted from both seasonal hunting restrictions and from hunting quotas. A native person can slaughter any animal, at any time, in any quantity, with any weapon.

**T**he result of the free-for-all is that animals are killed - and simply dumped. In Saskatchewan, thousands of slaughtered caribou were abandoned to rot after only their tongues had been removed. Yet the freedom from hunting restrictions in Canada is meant to be for "subsistence" purposes. In reality, practical wildlife management is being

heavily compromised by this exemptions system.

North Canadian peoples have also been the unfortunate victims of ill-conceived animal welfareism from a distant continent. When the EC banned harp and ring seal imports in the early 1980s, activists who had campaigned for the ban deprived the Canadian Indians and Eskimos of their main trading resource and condemned them to a shrunken existence.

One consequence of the ban is that seal populations, which were never in any danger, have multiplied exponentially. Canadian fishermen complain that the seals are now putting fish stocks under extreme pressure.

The seal issue has resonance for British fishermen, many of whom report that grey seals are now following fishing boats out from harbour and chasing fish as the nets draw them in. Sport anglers have had fish seized from their hooks. But the government is powerless to act. The volume of protest against the last government-initiated cull of grey seals in the late 1970s stopped that cull and established that, regardless of what potentially harmful biological imbalances developed, seals could no longer be managed rationally in Britain.

This was an extraordinary debacle. The grey seal was not rare, was neither a commercial nor sport species, was only being culled to protect the livings of local fishermen and is, biologically speaking, the most savage marine predator of its size. Its dewy-eyed facial resemblance to a Labrador was said to be the chief reason for its power to stir public sympathy.

This is just one example of the drift of public attitudes to wildlife: towards the view that no wild creature should be used for any human purpose. This essentially quixotic and romantic ideal could only arise from an affluent and urban society. It represents the ultimate detachment from nature, for it follows that we must grow, in increasingly artificial conditions, all dietary protein. This development is rushing ever onwards, with the growth of genetically-refined farmed red deer, bison, elk, salmon, lobsters, halibut, and so on.

We call the evolution from harvesting wild stocks an escape from barbarism and believe we are being conservationist. Meanwhile, we labour harder to provide more naturally-produced foodstuffs, simulating wild conditions while at the same time eschewing products taken from the wild.

The irony is that the original trappers and hunters - the killers - were the ones with the true, hard-earned knowledge of wildlife. They were the humans with a vested interest in the conservation of wild species, for next year's crop, and the next generation, depended on it. Ours - the would-be conservationists - is ceasing to.



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### The Long View / Barry Riley

## Copycat consensus



**JUST HOW** does your company's pension fund manager decide the investment strategy that could determine the standard of living you will enjoy in your retirement? Does he scientifically study all possible investments and select a balanced portfolio according to an elaborate analysis of return and risk, making changes according to circumstances?

The answer in most cases is no. What he does instead is to monitor what other pension fund managers are doing. He copies the average portfolio, adding enough minor variations to justify charging "active" management fees.

Nearly all British pension fund portfolios now closely track the consensus. The weightings of all the components of a portfolio, whether whole asset categories (such as bonds or UK equities) or individual stock holdings, are continually monitored and checked against the average weightings.

If you ask an investment manager to explain this procedure he will probably say that the consensus portfolio represents the accumulated wisdom of hundreds of senior investment professionals. Moreover, the approach works. Pension funds have performed exceptionally well during the past decade or so, easily beating minimum investment targets. This has allowed widespread upgrading of benefits at the same time as permitting many British companies to reduce or eliminate their pension contributions for years at a time.

But there is another explanation. It is that investment managers - and pension fund trustees who hire and fire them - are driven by inappropriate risk criteria. They are terrified that their investment returns might differ widely from those of the average pension fund. In fact the liabilities of pension funds are extremely long-term, and short-term volatility should be of little importance to scheme members. Managers and trustees, nevertheless, see big commercial and personal risks to con-

tracts and jobs. So they are driven to the safety of consensus.

In a world of increasingly disturbed financial markets a vital question is now raised by all this. *What happens if the consensus is seriously wrong?*

Logically speaking, if everybody copies everybody else it is impossible for the consensus strategy to change at all. In practice there will no doubt be small divergences allowing slow shifts. Also, pension funds will be affected by external forces. If equity markets rise, as they did in the 1980s, exposure to equities will reflect that. And in the late 1980s the British government was eagerly buying back its long-dated gilts, so the decision of the pension fund managers to reduce their exposure to gilts was effectively taken for them.

Nearly all the change in portfolio structure during the 1980s was explainable by such external factors. The only substantial positive decision by managers appears to have been the move to build up overseas equities from 5 per cent to over 20 per cent of portfolios. Until the early 1980s British pension fund portfolios were reasonably well diversified across equities, bonds and property. This is still the pattern for pension funds overseas, in the US and Continental Europe. But the strategy in the UK has now reached an extreme. According to Capgem, an independent measurement company, exposure to equities (UK plus overseas) stood at a record 83 per cent at the end of June. Investments in bonds and property are small.

Such an asset allocation may have made sense in the fast-growing and often inflationary 1980s but it now looks grotesque. Although it is almost two years since the UK entered the exchange rate mechanism of the European Monetary System no strategic adjustment at all has yet been made by British pension fund managers. Yet it was clear at the time that bonds would become better value and offer decent real returns, and indeed since the end of September 1990 the total return on gilts has been about 43 per cent while

UK equities have only returned 28 per cent. As time has gone on the comparison has become even less flattering for equities. Over the past year the return on equities has been minus 9 per cent but on long gilts it has been plus 17 per cent.

You can argue that the UK will soon be forced out of the ERM and then the equity market will roar ahead again. Long-term pension fund strategists, perhaps, are simply brushing aside a temporary political diversion. But whatever the future of the sterling/DM exchange rate there is unlikely to be a simple return to the economic climate of the 1980s.

There has been a change in the investment fundamentals over the past two years to which pension funds surely ought to have measurably responded. It is the absence of any such flexibility which suggests that the worship of the consensus has paralysed the pension fund investment process.

We are dealing here with shifts in mass psychology. Until the 1960s equities were scarcely thought to be suitable investments for pension funds at all. Now the conventional wisdom is that only equities are natural pension fund assets. Of course, any investor in the stock market has to be prepared for a bad year, and pension fund trustees will probably not worry too much if their portfolios make a minus return this year when they could have earned a safe 10 per cent by putting the money on deposit. But another year of weak share prices and falling dividends (which have dropped 1.4 per cent over the last year in nominal terms on the All-Share Index) might cause restlessness.

It may never happen. But the danger is that the herd will attempt to shift from one consensus position to a radically different one. If tens of billions of pounds are on the move the impact on asset prices could be highly disruptive.

You may have cause to hope that your company's pension fund manager can keep a little ahead of the crowd.

## WHAT DO GILT-EDGED SECURITIES AND THE U.S. CURRENCY HAVE IN COMMON?



### THEY BOTH PROMISE THE BEST PERFORMANCE

"SPONSOR YOUR INDEPENDENT FINANCIAL ADVISER AND ASK THEM HOW YOU CAN ENJOY A GILT-EDGED DOLLAR"



The Whittingdale Challenger Fund is an authorised unit trust. Please remember the price of units and the income from them may fluctuate and may be affected by exchange rate movements. Whittingdale Unit Trust Management Limited is a Member of IMRO and LAUTRO. Whittingdale Limited is a member of IMRO.



MARKETS

London

# Doing it the Swedish way

By Maggie Urry

"A fixed exchange rate is the cornerstone of our low-inflation policy. Interest rates will remain high as long as necessary which, I hope, is not too long."

**N**O, THIS was not John Major's latest attempt to defend the pound with the words of Mrs Anne Wibble, the Swedish finance minister. And she is not one to wobble. When the Swedish currency looked under threat this week, overnight interest rates went up to the annual equivalent of 75 per cent. The effect on long-term rates is much smaller - mortgage rates have risen a mere 5 percentage points to 22 1/2 per cent. UK mortgage payers, take note.

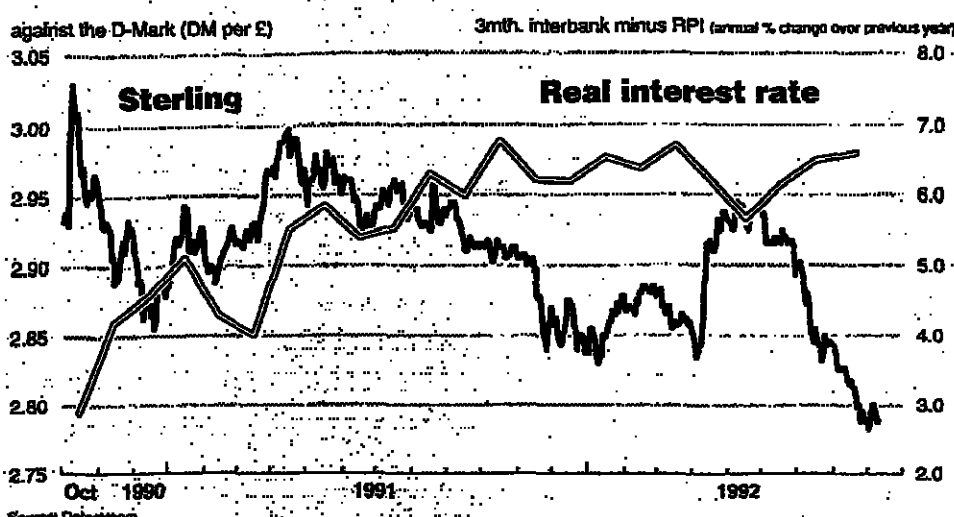
There is a lesson for the UK in the Swedish move. If a government has to put rates up to defend its currency, a half-hearted increase will not do the trick. Indeed, too small a rise will only make matters worse as currency speculators take it as a sign of weakness, not strength, and keep on pushing for more. If rates have

to go up at all, what is needed is an increase large enough to leap-frog the currency traders' expectations and show a determined face to the world.

If the UK government really has decided not to devalue sterling - and that remains in doubt, since the history of devaluations is that governments always say they will not until they do - what options are left to Major and chancellor Norman Lamont?

There are three. First, Major can try to talk his way out of it, as he did on Thursday night at the Scottish CBI dinner. The prime minister's readiness to stake his career on the government's handling of sterling's problems - and, at the same time, stake your job, my mortgage and the entire British economy - is not likely to prove a terribly effective signal to the foreign exchange markets in all but the short term. Indeed, the pound barely perked up yesterday.

The next thing is to dream up some more whizzy schemes, like last week's deal to borrow DMarks in order to buy sterling. That did little more than buy some time for the pound. That, and a rather weedy



promise not to increase interest rates - unless circumstances change - extracted from the Germans last weekend, kept sterling above DM 2.80 until about Monday lunch-time.

The third option is a sudden interest rate rise, although perhaps not quite of the magnitude of the Swedish increase. A bold enough move would keep the pound in the exchange rate mechanism (ERM).

It seems that the government's strategy is to try to cling on without raising interest rates until the result of the French referendum on Maastricht is clear. Voting takes place next Sunday.

As the week closed, it was looking likely that the pound could hold out that long, helped in part by news of another decline in the inflation rate; that the French were inclining towards Yes; and that

the stock market was recovering. But the market is once again fixing on a moment and not looking beyond it. While many have asked what would happen if the French voted No and assumed it would be bad news for sterling and, indeed, the entire ERM - few have considered what would happen after a Yes vote beyond thinking that everything would be hunky dory again.

In fact, a Yes vote could still be bad for sterling. It could be compared with the excuse of the dollar. This said that the pound's weakness against the D-mark was not sterling's fault but the dollar's. Then, the dollar recovered yesterday and sterling did not.

Sterling's problems go beyond those of most of the ERM currencies, barring Italy, and a Yes vote will not drive them away. Expect a bout of euphoria followed fairly swiftly by a reassessment of the outlook for the pound. That might be the moment when interest rates have to go higher.

It would, however, be about the worst news the UK economy could have, even after being described this week by Sir Owen Green, chairman of BTR and a veritable captain of industry, as a desert.

Real interest rates have, in any case, been rising ever since sterling joined the ERM in October 1990, as the chart shows, even though actual rates have fallen. Higher nominal interest rates, as well, would probably turn recession to slump and certainly drive the stock market lower.

This week's stream of company news has not of itself been bad. The likes of Glaxo, Prudential, Cadbury Schweppes, Rugby and RTZ

managed to increase profits. But the message is in the statements of many company chairmen. Summarised, these say: the economy is not getting better, there is no sign when it will get better and, if anything, it is getting worse.

Consensus forecasts for gross domestic product, the simplest measure of the economy's health, have been revised down once more and now centre on an 0.8 per cent fall this year. Consumer confidence has fallen again and indications of retail sales in August were dismal.

Yesterday Tarmac, the building materials group, announced closures and redundancies in its bricks and blocks business as it tries to sort out overcapacity in the industry. This is capacity which could be lost permanently to the British economy.

The building sector and the food industry have provided much of the depressing news this week. Dividend cuts from Wimpey, Taylor Woodrow and Amec, with the first two announcing losses as well, suggest those companies can see no end in sight to the gloom. In food, Hillsdown, Booker and United Biscuits showed that this sector could disappoint, too.

All this in pursuit of low inflation. Yesterday's inflation figure, showing an annual 3.6 per cent increase in prices, gave shares a boost. Compare that with Swedish inflation of 2.2 per cent. But, one asks, where is the victory in cutting inflation if the result is an economic desert? And what are the chances of keeping inflation down when, or if, the nominal growth eventually returns?

Serious Money

# Americans set UK on the right track

By Philip Coggan, Personal Finance Editor

**T**HE DOMINANCE of American culture often causes resentment in the UK. Many Britons long for the days when fast food meant fish and chips, not Big Macs, and when cinemas showed Ealing comedies rather than Lethal Weapon 3. But there are some areas where a dose of American business culture can do Britain a lot of good. In financial services, it has often seemed that US consumers have had a much wider choice and a better standard of service than their British counterparts. As one example, those who do not want to pay a credit card fee have 447 cards to choose from.

Some US practices and products are filtering over to the British side of the Atlantic, though, and there are two prime examples this week. The first is the "tracker" or index fund. The concept is based on the evidence that most fund managers fail to beat the stock market indices. Rather than gamble on finding one of the few managers who can beat the index, why not just create a fund that buys all the shares in the index?

These index funds have seized a large part of the institutional market in the US and are becoming increasingly popular with UK pension funds. But, as I have argued before, the concept is even better news for the private investor, who finds it so difficult to obtain a properly diversified portfolio or to pick "blue chip" stocks that live up to the name.

There are several indexed unit trusts in existence already, but none based on the most prominent UK market benchmark - the FT-SE 100 index. On September 28, though, James Capel will launch a Footsie fund that gives investors a simple way to invest in 100 of Britain's biggest companies. The aim will be to track the index within 0.15 per cent a month and the

fund will have an initial charge of 4 per cent, with a discount of 1 per cent until the end of the year. The annual charge is 1 per cent.

These charges are not the cheapest in the indexed market. Gartmore abolished the initial charge on its index fund (which tracks the FT-A All-Share) earlier this year and its annual charge is just 0.5 per cent. Indeed, there is an argument that indexed funds should incur much lower costs than traditional "active" managers who have to visit companies, analyse accounts and the like.

To be fair to Capel, there are extensive costs involved in establishing such a fund, and Footsie can be a difficult index to track since stocks are replaced on a fairly regular basis and some companies, such as Maxwell Communications and Polly Peck, can disappear altogether. The Capel fund is also available via a relatively low minimum investment of £1,000 (or £40 a month via the savings scheme), compared with £5,000 (or £100 a month) at Gartmore.

It is to be hoped, however, that if Capel does raise a substantial sum through this offer, it will eventually pass on, via a lower annual charge, some of the economies of scale that can be achieved through indexation.

The second development this week has a more direct American origin. Fidelity, the big US financial services group, is expanding and re-launching its stockbroking service. The share-owning culture is far more widespread in the US, with many towns having their own stockbroker's office. Brokers do not have the "stuffy" image that they have in the UK (despite some valiant efforts, by the likes of Sharelink, to alter perceptions).

The Fidelity service, has many elements which other UK brokers may be able to match and, indeed, beat but, as an overall package, it still looks impressive. As before, you can call an 0800 freephone number for service between 8am and 8pm on weekdays. The weekend hours have now been extended to run from 9am to 9pm on Saturdays and Sundays. Commission charges are not the lowest in the market but, at a minimum of £25 (on deals up to £2,500), they are reasonably competitive. (The rate on £2,501-£5,000 is £30; the maximum is £550.)

Fidelity's Shareholder Plus service adds a further incentive by holding all dividends in a money market account, linked to the Bank of Scotland, which pays a gross rate of 8.5 per cent. Money awaiting investment will also be held in this account. The money market account is not unique (Albert & Sharp has such an account for its discretionary clients, with a chequebook attached). But two further elements of the service do seem particularly interesting for those FT readers who are active investors.

First, there is a commission discount for those frequent traders who spend more than £250 in commission in a calendar month. Second, Fidelity is making it easier for investors to buy US and European shares. Judging from the inquiries I have had at the FT, many investors have had problems buying overseas stocks. Fidelity's minimum commission on US securities is £38 (around £19). On a purchase of stock of £5,000, the commission would be £38.50 (around £45). Commissions on European stocks are much steeper, starting at £100.

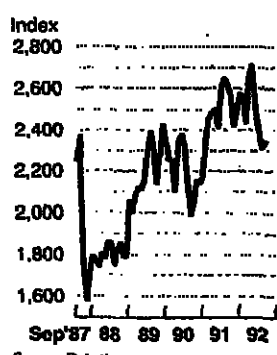
The service is entirely execution-only, so it will not suit those many investors who need advice on their portfolios. But even if your own broker can match the above services, it must be good for investors to see a major US group competing hard for business in the UK broking market.

## HIGHLIGHTS OF THE WEEK

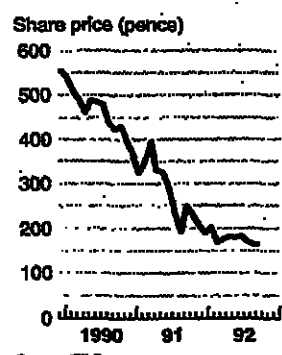
	Price	Change	1992	1992	
	£/share	on week	High	Low	
FT-SE 100 Index	2370.9	+8.7	2737.8	2281.0	Dollar rally
AMEC	60	-6	182	57	Int profits down 52% / div halved
BTR	430	+18	507	385	Increased interim profits
Blue Circle	135	-25	284 1/2	126	Steep fall in profits
Booker	334	-34	490	316	Disappointment over figures
English China Clays	383	-99	803	358	Poor figs, downgrading
Eurotunnel	360	-20	488	293	Financial worries
Hillsdown	85	-13	200	82 1/2	Losses place in FT-SE 100
National Power	261	+14	263	188	Hints of imminent coal deal
Prudential	249	+20	269	199	Excellent interim figures
RMC	413	-31	669	390	Losses place in FT-SE 100
Redland	333	-27	555	310 1/2	BZW "sell" recommendation
Taylor Woodrow	43	-7	143	34	Int losses / div slashed
Vickers	86	-25	188	80	Trading & technical worries
Wellcome	889	+43	1174	777	Stag selling dries up

## AT A GLANCE

### FT-SE 100



### Drayton Consolidated



### Guaranteed equity launch

Allied Dunbar is launching a guaranteed equity product. Like other recent offerings it invests in options. The account lasts five years. On each anniversary, investors will receive at least 85 per cent of the rise in the FT-SE 100 index over the period. Gains will be locked in and guaranteed at the end of five years. If the market goes down over a 12-month period, the account will keep its value - and Allied Dunbar guarantees that it will not lose over five years. The drawbacks are the inflexibility - no money can be withdrawn early except on death - the lack of income (investors do not benefit from the yield on the Footsie) and the tax position. Any profits on the product are subject to income tax but profits on conventional equity investment are subject to capital gains tax. Since each investor has an annual £5,800 CGT allowance, after indexation for inflation, few ever pay CGT. See *Serious Money*.

### Invesco to pay compensation

Invesco MIM, the fund management group, said this week it would be paying compensation to Drayton Consolidated investment trust, which it manages, for violating investment trust guidelines. The breach concerned a stake and loan to Alma, the confectionery company which collapsed last year. Plans for a reorganisation of Drayton are due to be submitted to shareholders in October. Meanwhile, Invesco MIM is merging three of its unit trusts - Commodities Shares, Gold and International Leisure - into its International Growth trust. None of the disappearing trusts has performed well; the Gold Trust, in a process of reverse alchemy, has turned £100 into a leaden £29.30 over the past five years. Unitholders should not necessarily expect an improvement; the International Growth trust is 36th out of 38 trusts in its sector over 10 years.

### Share centre launches Pep

The share centre has launched a self-select personal equity plan, with a "maintenance fee" of £12.50 per quarter. Dealing commissions are 1 per cent on the first £2,000, subject to a £10 minimum; 0.8 per cent on the next £3,000; 0.5 per cent on the £5,000 after that. Those who take up a Pep before the end of September will get their first deal free. There is also a self-select Pep with a "maintenance fee" of 0.375 per cent per half year, with a minimum of £12.50 plus VAT.

### New account from A&L

Alliance & Leicester building society is introducing a 90 day notice account called Bonus 90. The top rate will be 9.5 per cent for sums over £50,000; balances from £2,500 (the minimum) to £9,999 will earn 7.25 per cent.

### Small company shares fall

It was another bad week for smaller company shares. The County Smaller Companies Index fell 1.1 per cent from 797.46 to 788.87 over the seven days to September 10. The Hoare Govett index (capital gains version) fell 1 per cent from 1004.6 to 994.88 over the same period.

### Correction

Malvern College is merging with Ellerslie school, a girls' school in Malvern, not Malvern Girls College as stated in the recent FT-500 schools survey. We apologise for any confusion.

Wall Street

# Just the sound of Bush's voice lifts stocks

**P**RESIDENT Bush finally made an impression on the stock markets this week.

Speaking to the Detroit Economic Club on Thursday afternoon, Bush outlined his "agenda for economic renewal," which included spending cuts and an across-the-board tax cut of 1 per cent.

As soon as his words reached Wall Street, investors started buying stocks heavily, and by the close of trading the Dow Jones Industrial Average had registered a 33-point gain, its best showing since July.

This was a distinct improvement on the last time the President made a big speech. That was back in mid-August at the Republican convention in Houston. Although his words that night raised spirits on the convention floor, they went down like a lead balloon on financial markets. The following day the Dow plunged 51 points and the dollar fell out of bed with a big bump.

So what did the President do right this time? It was difficult to tell at first glance, primarily because his Detroit speech

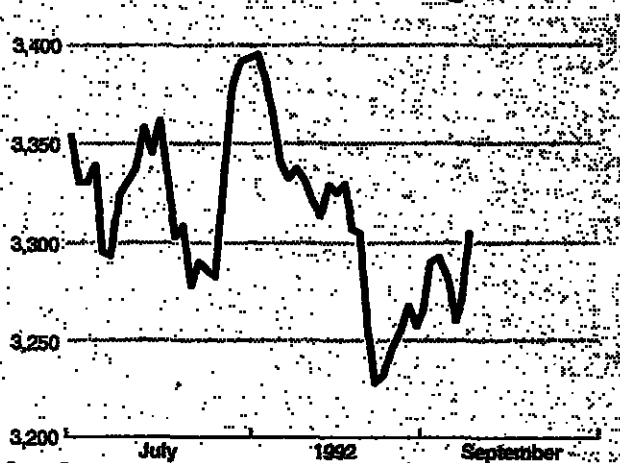
included little that he has not said before - spending and tax cuts have been at the heart of the Republican campaign since mid-summer.

Rather than applauding what he said, the market seemed to be applauding the fact that he said it. Investors have been distressed these past few weeks by Bush's inability to make a big and sustainable dent in Governor Bill Clinton's lead in the polls. Concern about the outcome of the election has been one of the chief factors restraining enthusiasm for equities.

To Wall Street, Thursday's speech showed that the President has finally hit on what could be his most potent weapon come polling day in November - the differences between his and his rival's fiscal policies. If the Republicans hammer away at the message that their man stands for tax and spending cuts, whereas the Democratic candidate stands for tax and spending increases, then the President has a decent chance of winning re-election.

Nothing, of course, is that simple, least of all this year's election campaign, which has

## Dow Jones Industrial Average



sent so many confusing signals that the investors have almost given up trying to make sense of it all. Uncertainty and confusion is the enemy of any financial market, and if Bush's speech can help focus voters' attention on the defining difference between the Republican and Democratic candidates, then a 33-point bounce is justified. Thursday's rally, however,

was not just about the Bush speech. The dollar rose more than one penny to DM1.425 in the afternoon on reports that US aircraft had intercepted an Iraqi fighter over the "no-fly" zone in northern Iraq. Although no shots were fired and the Iraqi aeroplane quickly withdrew, the incident was disturbing enough to send investors scurrying for the safety of the dollar. The cur-

rency's advance buoyed equity investors, who have been waiting for the dollar to stage a recovery from its recent bout of the blues.

Stock market sentiment was also aided on Thursday by the latest falls in interest rates. During the week the yield on the benchmark 30-year bond fell to just over 7.23 per cent, its lowest level since 1986. Although over the past year US interest rates have not kicked-started the economy as they normally would after a recession, investors have not completely forsaken their belief in the stimulative powers of cheap credit. Somewhere down the line, they say, low interest rates are going to feed through into economic growth.

Even if investors were not overly impressed by the political and economic fundamentals of the market - the election, the dollar and interest rates - they could draw comfort from technical indicators.

According to investors Intelligence, a newsletter that tracks market sentiment, the number of investment professionals that are bearish about the outlook for the market rose sharply this week to the

highest level seen so far this year. Given that increased pessimism among investors often precedes a market rally, the latest figures on sentiment may be a sign that the market is ready to break out of its summer doldrums.

It did not go unnoticed that the last time bearish sentiment was stronger than this week's measurement was mid-December last year. That low point turned out to be the market's floor for 1991, and within a week investors went on a buying spree which lasted more than a month and sent the Dow to a succession of record highs.

A repeat performance would be most welcome, although conventional wisdom suggests that the chances of the market engineering a sustained bull rally in the last two months of a confusing, and probably close, presidential election campaign are slim.

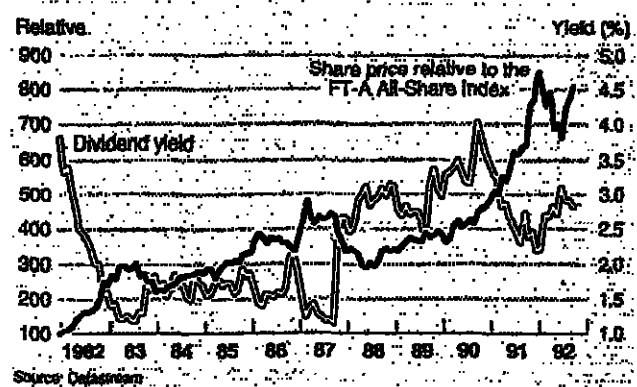
Patrick Harverson

	Closed	Change
Monday	3260.59	- 21.34
Tuesday	3271.39	+ 10.80
Wednesday	3271.39	+ 10.80
Thursday	3306.16	+ 34.77

The Bottom Line

# Glaxo has the last laugh

## Glaxo



were caught short last year and will not want to be burnt again.

Glaxo's defensive qualities are not in doubt: Steve Plag, pharmaceuticals analyst at County NatWest, describes the group as Europe's strongest company. It has superb mar-

keting expertise and sales of Zantac, an ulcer treatment and the world's best-selling drug, grew 13 per cent in 1992 despite premature predictions that the product had matured.

Sales of Zofran, a drug used to prevent nausea in patients receiving radiation and chemo-

therapy, increased from £181m to £259m. Ernest Mario, the chief executive, said he could think of no medicine which had achieved sales of \$500m in only two years.

Future growth also looks assured. Glaxo has been building up its sales force over the past 12 months in preparation for the world-wide launch of two more potential blockbuster drugs - Imigran, a migraine drug, and Serenent, a long-acting asthma treatment. About 1,500 representatives have been added which, Plag says, makes Glaxo's sales force the largest in the world.

Margins squeezed by the additional costs of this marketing build-up and greater research and development spending, are now likely to expand. So, what doubts are there about Glaxo?

The first is Imigran, which is still awaiting the licence from

the US Food and Drug Administration which the company had expected earlier this year. Doubts have been expressed about the product's safety.

The delay is disappointing, says Guy Wood-Gush, analyst at Barclays de Zoete Wedd. But he adds, it is reassuring that the authorities have not asked for more data. Nevertheless, if Imigran fails to gain a licence before January, he plans to reduce his 1993 sales estimates.

The other question mark is the dollar. BZW estimates that for every 10 cents the dollar loses, £30m is "knocked off" Glaxo's pre-tax profits and 2p off its earnings per share.

Despite such risks, Wood-Gush believes Glaxo's shares look cheap. Fund managers despairing of a recovery may look at the group's continuing earnings growth and increase their weighting.

Brookner's heroine will surely not have sold her Glaxo shares. But if she has looked after her legacy, she might well consider buying more of the stock.

Paul Abraham



## FINANCE AND THE FAMILY

## Maastricht: a vital matter of yes or no

Philip Coggan and John Authers  
weigh the implications of the  
vital referendum in France

A FRENCH referendum would not normally seem a matter of importance for British investors. Sometimes, though, the financial markets seize on a particular event and give it enormous significance. So it is with the French vote on September 20 over whether to ratify the Maastricht treaty.

Five years ago, the markets would have viewed progress towards European monetary union as purely an academic issue. Now, it has the power to ruin economies.

The problem lies with the economic strength of Germany and the legendary determination of the Bundesbank (the nation's central bank) to defeat inflation. International investors have had a natural preference for the D-mark over other European currencies.

Other countries in the exchange rate mechanism traditionally have been forced to offer higher interest rates to attract investors and maintain their parity against the D-mark. But the prospect of European monetary union via the Maastricht treaty altered the equation. Eventually, there would be one currency and one interest rate across the Continent. So, investors who bought the other currencies in the ERM would effectively be buying "higher yielding Deutsche marks".

This theory of "convergence" meant that those who bought European bonds would enjoy capital gains as yields fell gradually to German levels. (Remember that, as yields fall, prices rise). The outcome was that the differentials between

German interest rates and the rates of other ERM countries were able to narrow.

But the No vote in the Danish referendum earlier this year, and the doubts about the result of the French poll, have thrown the whole process into doubt. If the French vote No, progress towards European monetary union will stop. It is even possible that the exchange rate mechanism, which has brought a measure of European currency stability for more than a decade, will break up.

Such uncertainty makes international investors flock for the safe haven of the Deutschmark, the one currency they are certain will not be devalued. That has put immense pressure on the European currencies - such as the pound and the lira - perceived to be weaker.

There are two obvious responses for the other ERM countries. One is to devalue, something that seems unacceptable politically. The second is to raise interest rates and increase the differential with Germany. But German rates are high already and, with most European economies in a weak state, no government - especially Britain's - wants to risk the damage a rate rise would cause. The Italians have been forced to bite the bullet, though: will the UK have to follow?

Those are the stakes behind the French poll. We asked City experts what would happen to markets in the event of a Oui or Non vote.

■ See Page 6, Section One.



THE MAIN effects of the French referendum vote are likely to be in the short term. But the poll could still have a substantial impact on currencies, share prices, bond prices and interest rates.

## NON!

If the French vote against the treaty, it could mean very bad news. The immediate effect is certain to be pressure on the weak currencies within the Exchange Rate Mechanism - sterling in particular.

Mark Henderson, chief investment officer of Touche Remnant, thinks that "the UK would certainly have to raise base rates, immediately and decisively, on September 21." He suggests that either 1.75 or 2 percentage points might be needed. And as Bob Semple, of County Nat West, puts it: "We need an interest rate rise like we need a hole in the head."

Given the recent pressure on building society margins, a base rate rise would mean higher mortgage rates. The societies are aware of the damage this might do to the housing market and the Halifax Building Society, the UK's biggest mortgage lender, has said it would strive to keep any rise to a minimum.

Much would depend on whether some societies raise

savers' rates to attract funds. That would force others to follow suit, and then to increase mortgage rates in line.

There is a silver lining. It does not believe that high interest rates would remain in place long enough to harm the economy, with lower German interest rates eventually coming to the rescue.

As to the effect of a No vote on bond and share prices, Semple says much depends on whether the UK decides to devalue or to raise rates. "One school of thought is that a devaluation would be good news for equities", he says, "but it would be very bad news for bonds and there would be enormous market turmoil as a result. Things might settle down more quickly with an interest rate rise, through the Swedish situation shows you have to be tough. If things get really bad the FT-SE 100 Index could fall to 2000."

According to Derek Scott, of BZW: "With earnings estimates being reviewed downwards, little hope of a German rate cut before the end of the year, the dollar at over-competitive levels, economic growth stagnating and valuations hit by higher bond yields, there is little chance of equity markets shrugging off a

## No vote.

But Dick Barfield, investment director of Standard Life, downplayed the significance of a "No", suggesting that on a three-month view it would, like the UK general election, have little lasting impact. "The most important things are German interest rates and the level of the Deutschmark against the dollar. This vote isn't going to affect that one way or the other. The markets have been far too preoccupied by this."

Stephen Pearson, of GT Management, also believes that the importance of the referendum for the long term has been over-estimated. He thinks that the fundamental factor currently moving European markets, the German base rate, is unlikely to be affected.

## OUI!

A Yes vote would be far better news (except for those who believe that European union would be disastrous). Interest rates, and therefore mortgage rates, would be far less likely to rise, and markets would enjoy a boost of confidence.

But as Semple points out: "Even if there is a yes vote, it still has to be ratified by the rest of the community. The Exchange Rate Mechanism is also suffering from the back-

wash of the falling dollar, and one has to ask whether a Clinton victory is priced into either the dollar or Wall Street."

Derek Scott of BZW feels that if the French vote Yes, "the threat of rate rises should be avoided in countries whose economic fundamentals are sound." However, he argues that the vote will not bring forward the long-awaited interest rate cuts from the Bundesbank. Nevertheless, Scott feels that a "yes" would help both French and UK equities, where real long rates are very high and would benefit from better bond trends.

Dick Barfield admits that the UK markets would probably jump after a "Oui" vote, but this does not affect Standard Life's strategy, which is to view all the European markets, especially the UK, as looking cheap on a 12-month view.

Touche Remnant's Henderson believes that the reaction to a "Oui" could be short-lived. Both equities and bonds would rise, but an equity rally could be short-lived because sterling would also rally, damaging UK export potential.

Never the less, if you are worried about your investments or mortgage payments, and you are visiting France over the next week, it might be worth a bit of canvassing...

ENGINEERING - GENERAL											
		Notes		1992		Mid		Ytd			
Code	Company	Price	Change	Code	Company	Price	Change	Code	Company		
101	BA	120	+	102	BA	120	+	103	BA	120	+
104	BA	120	+	105	BA	120	+	106	BA	120	+
107	BA	120	+	108	BA	120	+	109	BA	120	+
110	BA	120	+	111	BA	120	+	112	BA	120	+
113	BA	120	+	114	BA	120	+	115	BA	120	+
116	BA	120	+	117	BA	120	+	118	BA	120	+
119	BA	120	+	120	BA	120	+	121	BA	120	+
122	BA	120	+	123	BA	120	+	124	BA	120	+
125	BA	120	+	126	BA	120	+	127	BA	120	+
128	BA	120	+	129	BA	120	+	130	BA	120	+

The Ace of Clubs symbol shows that APV's report is available

## FT reports service

THE Financial Times has launched a new, free service for private investors who would like to receive the annual reports of listed companies, writes Philip Coggan.

All that you need to do is ring 081-643-7181 and quote a code which is listed at the end of the London Share Service listings in the FT. This code will be changed every week. Then name the company concerned and give your name and address. The report will be sent to you on the next working day.

The service is open to all readers, whether in the UK or overseas. The lines are open between 9am and 5.30pm on weekdays and there is an answering service at other times. For today only, the lines are open between 9am and 4pm.

At present 130 listed companies have agreed to join the service. The companies concerned are identified with an ace-of-clubs symbol in the share listings pages. Companies which have joined include Bank of Scotland, Hanson, National Power, Smithkline Beecham and Unilever.

Only one annual report per company can be sent to each individual, but you may order the reports of several different companies.

## Directors' Transactions

A GROWING band of directors appears to be prepared to buy shares. Allied Colloids, the speciality chemical group, announced final results at the beginning of June. Following an up-beat statement, six directors - including the chairman, managing director and finance director - bought a total of 12,000 shares at 183p. The shares have been as high as 220p in May this year and are trading now at about 166p.

The food retailing sector has maintained a fairly steady performance over the past year. At William Low, Dumfries-based supermarket operator and food retailer, four directors bought a total of 26,000 shares at prices between 178p and 180p. Results from Excalibur

Group in July reflected the problems of companies trading in luxury and giftware items. The company makes, and wholesales high quality jewellery. Despite pre-tax profits down from £4.1m to £1.1m, its precision engineering division was reported to be doing well. Three directors - the chairman, managing director and finance director - bought a total of 1,784,800 shares at 8p.

J.A. Fooks, the chairman of East Surrey Holdings, a statutory water company, sold 506,470 shares at 222.5p. The shares have performed strongly since coming to the market in March 1990. Fooks still holds 1,256,850.

Angus McDonald, Directors Ltd

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No of directors
SALES				
East Surrey	Water	506,470	1,127	1
Morland & Co	Brew	15,000	57	1
Plym	Chem	25,000	87	1
Sainsbury J	Food	3,000	14	1
Smith (Wt) B Shrs	Stor	92,122	70	1
Stanley Leisure	Holl	10,000	20	1
Wickes	Build	30,000	21	1
PURCHASES				
Allied Colloids	Chem	12,000	20	6
Bedford (Wm)	n/a	225,000	23	1
Brabant Resources	O&G	50,000	15	1
Excalibur	Misc	1,784,800	143	3
Gr Portland (GULS)	Prop	110	100	1
Holmes & Marchant	Med	760,000	81	2
Low (Wm)	Food	26,000	46	4
Molynx	Elc	35,000	13	1
MS Int	Eng	50,000	12	1
TR Property IT	Int	200,000	30	1
Transatlantic CnvP	Int	275,000	186	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (\*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 1-4 September 1992.

Source: Directors Ltd, Edinburgh

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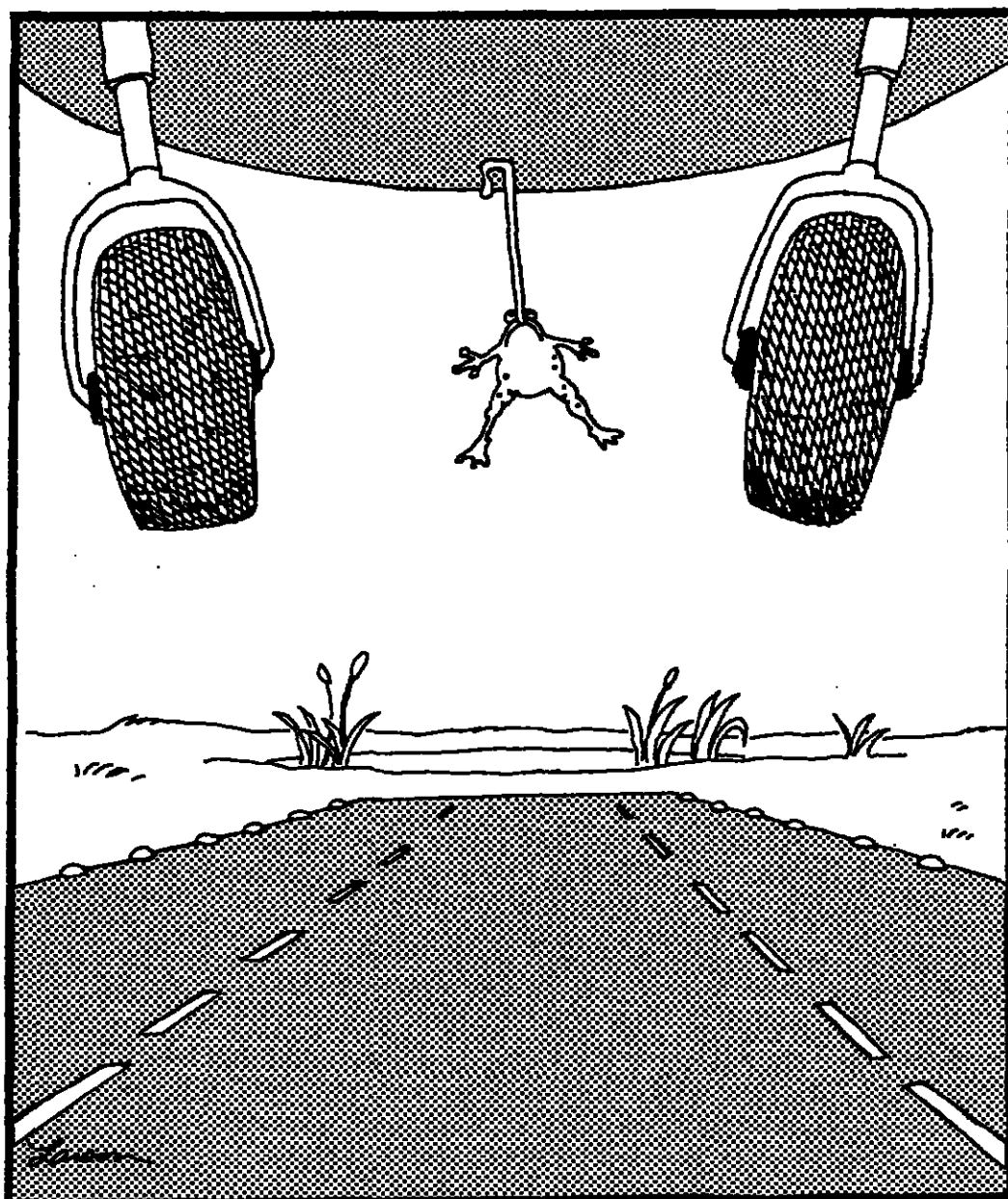
Please write your name and address on the back of your cheque.

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If yes, please enter your Holder's Number

2 Amount in words \_\_\_\_\_ pounds £ \_\_\_\_\_ Minimum £100 (£10 for a child under 16). Larger amounts must be in a multiple of £10.

3 M \_\_\_\_\_ Surname \_\_\_\_\_  
(Mr, Mrs, Miss, Ms)  
All forenames \_\_\_\_\_  
Address in full \_\_\_\_\_  
Postcode \_\_\_\_\_ Date of birth (month/year) \_\_\_\_\_ Day \_\_\_\_\_ Month \_\_\_\_\_ Year \_\_\_\_\_

4 I accept the purchase will be subject to the terms of the Series B Prospectus.  
Signature \_\_\_\_\_ Date \_\_\_\_\_

5 If buying for a child under 16, give name of parent/guardian:  
M \_\_\_\_\_ Surname \_\_\_\_\_  
(Mr, Mrs, Miss, Ms)  
All forenames \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_

6 If buying for a grandchild, give name of the parent/guardian above and your own name and address below.  
M \_\_\_\_\_ Surname \_\_\_\_\_  
(Mr, Mrs, Miss, Ms)  
All forenames \_\_\_\_\_  
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## FINANCE AND THE FAMILY

## Annuities: a big gap between best and worst

Debbie Harrison looks at the myriad market choices for those who are approaching retirement age

**B**UYING AN annuity at retirement is the biggest investment most people ever make. But few insurance companies offer a complete range of products and few advisers know enough about the more technical options to provide a comprehensive service.

An annuity is a regular income for life, secured by paying a lump sum to an insurance company. Once the annuity has been bought it cannot be changed and, in most cases, the capital invested is lost when the annuitant dies.

By law, most of the proceeds of money purchase pensions must be used to buy a "compulsory purchase" annuity. A money purchase pension is one where contributions are invested to provide a fund at retirement, unlike pensions based on final salary.

Personal pensions, executive pension plans, free-standing additional voluntary contributions and contracted-out money purchase schemes are all examples of money purchase pensions.

The first step towards choosing the right annuity is to make use of the "open market option." This allows you to take the proceeds of your pension fund away from the plan provider and buy your annuity elsewhere. The top names in personal pension plans are quite different from the top names in the annuity market so, in most cases, it makes

sense to shop around.

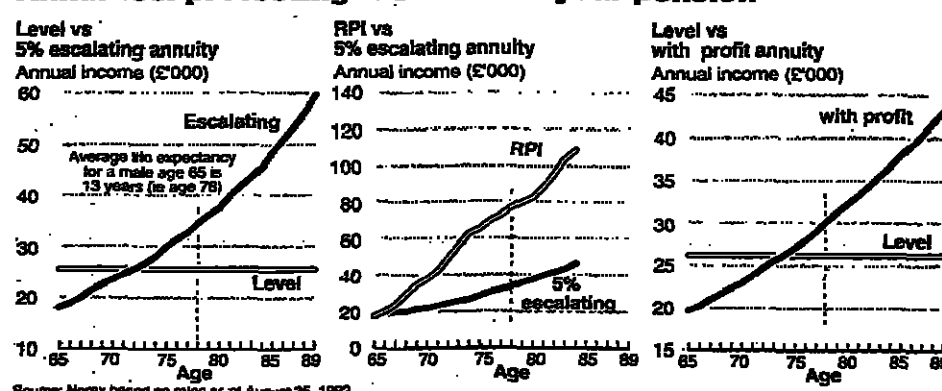
Annuities can be sold only by life offices because they alone have the size to cope with a large spread of risk. If your pension plan is provided by any other sort of financial institution - say, a unit trust group - then you have no choice but to use the open market option.

This can improve the income provided by your annuity by up to 25 per cent - the difference at present between the best and worst rates on offer. But some life offices penalise policyholders who use the option, while others pay a "loyalty bonus" to those who stay put (which amounts to the same thing). Either way, the differential must be considered when weighing up the benefits of the better rates available under the option.

The annuity sold most commonly provides a fixed or level income for life. Its popularity is mainly because it provides the highest income at the start, compared with other options. Clearly, however, the "real" value of the income plummeted once inflation takes its toll. Early retirement - whether voluntary or enforced - combined with increased longevity increases this problem.

In recent years, the choice of annuities has increased. Mitchell Philpott, account director of annuity specialist Norx Communications, says: "A money purchase pension can provide a fixed rate of esc-

## Annuities: protecting the value of your pension



Source: Norx based on rates as at August 25, 1992

lation, commonly 3 per cent or 5 per cent per annum, or increases may be linked to the retail price index (RPI). Each type of annuity obviously carries a cost in terms of a loss of income in the early years to compensate for increasing income in the later years.

"What is important is that each individual must strike a balance between their need to safeguard their income against inflation, their need for immediate spending power and perhaps, most important, their expectation of life."

A limited form of inflation-

proofing now applies to preserved pensions that are left behind in a company scheme when an employee changes jobs. The same provision for inflation-linking will be extended soon to company pensions being paid. In this light, it seems odd that a similar facility is not included automatically with annuities.

But the reason why few "5 per cent escalating annuities" are sold can be seen in Table 1. The initial income is about 30 per cent less than available with the level annuity, and the break-even point does not

occur for 14 years.

The average life expectancy for the 65-year-old male used in the example is 13 years so, clearly, the life offices are not giving anything away here. But for those who live longer, the 5 per cent escalating annuity provides a much better deal after year 14.

With the future rate of inflation uncertain, there is a strong argument for an annuity that increases in line with retail prices. In the past, this has proved to be more expensive than 5 per cent escalation but, at today's rates, there is

little difference between the two in terms of the initial income.

Only a handful of insurance companies offer RPI-linked annuities. These include Standard Life, Eagle Star, Prudential, Sun Life and Sun Alliance.

Table 2 shows how the RPI and 5 per cent escalating annuities would have compared over the past 20 years although, obviously, future inflation could be constrained by sterling's membership of the exchange rate mechanism (ERM). But, given the long-term nature of an annuity, the RPI link does provide additional insurance against high inflation when retirement is taken early and is expected to span two decades.

There are other types of annuity that can provide a hedge against inflation by securing growth through a unit-linked or with-profits fund. The with-profits annuity is a complex product and is offered only by Equitable Life and Prudential. (Provident Mutual offers a with-profits annuity but, generally, this is cost-effective for, and available only to, existing policyholders).

Under a with-profits annuity, people get a fairly low guaranteed income plus annual

bonuses from the with-profits fund. To lift the initial income, it is possible to set an anticipated rate of bonus. Where the actual declared bonus rate is lower, the income will fall, and vice-versa.

Table 3 illustrates the difference between a with-profits and level annuity where the anticipated bonus is 5 per cent and the actual declared bonus is 8.5 per cent. To assume a bonus rate higher than 5 per cent would be taking a risk in the present environment and could lead to a falling annual income.

Unit-linked annuities are offered by just a handful of providers including M&G, Equitable Life and Commercial Union. Under this system, the value of the annual income reflects the unit value of the underlying fund and, as such, can fluctuate considerably.

As a long-term investment, the unit-linked route can provide an element of capital growth unobtainable with a level or escalating annuity but, for most people, this option should be considered only where there are other sources of retirement income to meet regular bills and spending.

Initial income under the unit-linked annuity is likely to

be worth about 50 per cent of the level annuity. Some providers allow clients to boost this by incorporating an element of anticipated capital growth. The danger here is that if the underlying fund fails to achieve the predicted growth assumptions, then the annual income derived from the annuity will fall sharply.

Finally, depending on the type of pension arrangements used to yield the retirement fund, it might be possible to opt for phased retirement. For example, under a personal pension - and, from this year, a buy-out bond (used to take transfer values from company pension schemes) - it is possible to cash-in part of the plan to provide an annuity at, say, 60 and to leave the rest to appreciate in value until age 70 or even 75.

This option could appeal to the increasing numbers of employees who take early retirement and continue to work part-time.

A free booklet, *Annuities and Your Options*, is available from Norx Communications, Norx Court, 185 Marsh Wall, London E14 9SE. Tel. 071-512-1000.

## Should I keep my annuity?

I HAVE built up a substantial fund of money with an insurer under an old-style Section 226 self-employed retirement annuity scheme. This is now fully paid-up and no further contributions will be made. I am 63, but did not plan to cash it in until I am at least 65 and possibly (since I am not under immediate pressure) later, on the reasoning that a normal annuity purchase is best left as long as possible. In due course, however, this fund will form the greater part of my retirement pension.

I have already noted and am attracted to the concept of the with-profits annuity. My fund with the insurer has accrued over past years on a with-profits basis and appears to have done well. My company suggests (without making a recommendation) that I consider purchasing such an annuity now rather than holding on as outlined above. What are the pros and cons of this concept?

We can see little reason for purchasing an annuity now if you do not need the income. The terms of the policy should enable you to go on rolling up investment income free of tax until you need it and if this is to age 65 or 67 the cost of each pound of annuity will be less because you are older and have a shorter life expectancy.

Thus you gain on two fronts: one, you will have a bigger money pot when you eventually retire as a result of further investment, and two, each pound of that bigger fund will buy you more pension. You can add to this pot by paying one-off single premiums each year from now until the date you eventually retire.

We cannot think why anyone should be recommending you to take your annuity payments when the annuity payments will merely be added to your present income and therefore taxed at your top rate. The only plausible reason we can imagine is that the person hopes to earn a sales bonus by getting you to buy such an annuity with his company.

When you eventually retire it might pay you to shop around a few of the bigger insurance companies to see which is offering the best annuity rates at that time, but take care that you are comparing like with like. It may be wise to seek independent advice; if you do, make sure that the adviser is genuinely independent and discloses his or her terms of business and informs you of the commission rates on the policies on offer before you sign anything.

## Funding an endowment

MY QUESTION is of special relevance to those parents with young children - say, 15 to 25 - who have been hit hard by the collapse in the UK housing market.

In many cases, these children have been forced by high interest rates to sell their homes and to cancel their mortgages and the associated endowment policy. Is there

## Q&amp;A

## BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

any virtue in parents taking over these endowment policies and funding them on the children's behalf, thus exploiting the regular gift allowances under the Inheritance Tax regulations while at the same time taking advantage of the relatively low premium on young lives and securing some life cover?

What would be the attitude of a building society if a young adult who was applying for a mortgage presented a policy on which the premiums were paid by his or her parents? Could the parents continue to pay the premium in this case? I have in mind an open arrangement, for example the premium is paid from the parents' bank account, but at some stage the offsprings would become responsible.

An endowment is one form of saving and could therefore constitute a suitable gift from parents. Neither a building society nor any other mortgage lender need be concerned with exactly who pays the premium on such policies, as long as it is paid.

Whether endowment policies are the most suitable way of providing parental assistance is open to question. If the aim is to provide life assurance then low-cost term assurance gives much more cover for a minimal premium, leaving the balance of each year's gift to be invested more efficiently as a small capital reserve. This can be accessed when required without the surrender value penalties and high insurance mark-up on endowment policies. However, this is unlikely to be what an insurance salesman will tell you because a lot of this mark-up will be paid in commission.

## Losses and capital gains

DURING the tax years 1989-90 and 1990-91, I incurred losses, for capital gains purposes, of £3,300 and £62 respectively, on sales of equities. In the following year, 1991-92, I made a capital gain; but within my normal entitlement for that year. The same will probably be the case in 1992-93. Can I carry forward my losses for 1989-90 and 1990-91 to offset any excess gains in future years?

Yes, by virtue of section 54(4) of the Capital Gains Tax Act 1979: "where the amount of chargeable gains less allowable losses accruing to an individual in any year of assessment does not exceed the exempt amount for that year, no deduction from that amount shall be made for that year in respect of allowable losses carried forward from a previous year".

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## MINDING YOUR OWN BUSINESS

# Risky step into the rug trade

Nick Garnett on a man who sold his travel agency to take an Oriental carpet ride

THE ORIENTAL rug trade has earned for itself a rather tacky image. Allegations of pitifully-paid weavers labouring in near-slave conditions making carpets sold for bloated margins in Western department stores. Small shops in London's West End permanently displaying "closing down sale" stickers and offering bogus reductions on artificially-inflated prices. Spurious Sunday warehouse sales advertise low-cost wholesale deals that are nothing of the sort.

A minefield waits the ordinary buyer. The saving grace is that many types of Oriental carpets are gorgeous and can be good value. In many supplier countries the weavers work in conditions embedded in tribal and village culture. In the perhaps surprising setting of Norwich, the very English couple, John and Kate Wright, entered this unusual market six years ago. With virtually no background knowledge of the rug trade, they opened a shop in the Norfolk city and now earn their living buying and selling Oriental carpets. Last year, the business sold £170,000 of rugs on which it made a net pre-tax return of about 10 per cent. This rather modest return is calculated after the couple extracted a salary of well over £20,000. Not surprisingly, Oriental Rugs of Norwich is feeling the uncomfortable heat of recession which has left the industry's warehouses piled high with unsold carpet.

Wright was the managing director and a shareholder in a local travel agency when the couple bought a large Victorian house in the mid-1980s. "We started looking for Oriental rugs but there was really nowhere in Norwich. I thought specialist organisations were going to be the thing of the future. I thought we could make a business out of carpets."

While still retaining his holding in the travel agency, Wright found a two-floor shop in the centre of Norwich at the end of 1988 and began renting it at £8,000 a year (the rent is now £12,000). Persistent questioning of people in the trade unearthed some names of carpet importers and the remarkably modest sum of £15,000 bought enough carpets to stock one floor.

The customer base and rationale of the business is the same now as it was then. Almost all the Wrights' customers are "local" with about one-fifth of them tourists. Wright claims to offer carpets at prices lower than those at most out-

lets. "We don't add anything on to the price to take off in bargaining. The price we show is what you have to pay." The gross margin - the difference between what Wright pays and what he sells to the customer for - is about 30 per cent.

Wright's average retail price is £350, relatively low mainly because more than one-quarter of sales are of generally cheaper Chinese rugs. Prices range from £70 for a small open-back Chinese rug to £6,000 for a 15-foot Persian Kashan. Pakistan-made Bokharas start at around £200, a geometric-patterned Melas from Turkey at £1,200 and a silk Qum from Iran at £1,500.

Though Wright has visited a large number of weaving centres in Asia, he buys virtually all his stock from Asian importers in the UK. "You cannot compete on price unless you do. An importer might be buying £1m or maybe 100,000 square metres of carpet at a time. He gets the benefits of quantity. A big importer might be able to get carpets at 25 per cent less than we would," Wright believes the importer is making a similar 30 per cent margin.

How does Wright know he is getting a reasonable price from the four or five main importers that he uses in London? "It is a matter of trust. I haggle down to the last half per cent. It's part of the job I enjoy. You can establish the lowest point. I know we get the same price as other buyers."

The Wrights choose each carpet they purchase. "Kate does most of this because I think she has a particularly good eye for it." Much of the shop's stock is hauled up from London in the Wrights' estate car. The company employs two shop assistants. One, Claire Carrington, has a fine arts degree and commands the kind of knowledge a lot of customers like: knot counts (an extremely fine carpet will have between 300 and 800 knots per square inch); the desirability of Persian carpets from Qum, Isfahan and Kashan; the horizontal looms used by nomadic tribal groups and the vertical looms of the village; the differences between an Indian Kaimuri, a Persian Sarouk and a Turkish Melas; the tribal designs from Afghanistan; the use of extensive flat-weave Kilim on the edge of Belouch rugs.

The recession hit the company late but when it did - at the end of last year - the impact was immediate. It has cut the company's shop sales by close to one-third. "It is the more expen-



Sales pattern: John Wright with samples of the wares at his shop in Norwich

sive carpets, above £1,500, where sales have been hit," says Wright. A significant drop in the cost of purchasing carpets from Iran has not helped much, even though Wright says he is passing on these reductions to the customer. The retail price of Chinese carpets has fallen 40 per cent over the past five years, partly because of a glut. Some importers in London have also begun to offer substantial reductions on Persian carpets in the wake of the twin impact of enormously-distorted black market currency and Iran's need to earn more foreign currency.

To try and build new trade, Wright has begun showing carpets in potential customers' homes. "The other day, I went to five houses and sold at three." He is also keen to take contracts on commissioning the making of carpets

for private organisations. He has just completed one for a huge carpet for Sidney Sussex college, Cambridge, and is talking with one or two of the university's other colleges. Wright is also looking at the possibility of opening a shop in Cambridge, though the recession has worried him and he remains anxious about its length and depth. He knows that his business could be seriously harmed if another specialist carpet shop opened in Norwich.

Having sold his stake in the travel agency, Wright is glad to have made the switch. "No matter how many times you go through the pile of rugs with a customer you never get tired of talking about them. It is an enjoyable way of earning your living."

■ *Oriental Rugs of Norwich, 4 Bedford St, Norwich NR2 1AR. 0603-633530.*

# Publisher to the English eccentric

Clive Fewins on a man who specialises in odd books

IN 1962 John Rotheroe founded what has become one of Britain's notable minor institutions - Shire Books, of Princes Risborough, Buckinghamshire.

As the company celebrates its 30th anniversary Rotheroe gains modest satisfaction in knowing that there is scarcely a bookshop in Britain that does not stock at least one of the 850 titles published so far.

Similarly there cannot be a single English eccentric who is not familiar with at least one of these titles, that range from dummy boards to dovecotes, from Egyptian coffins to East Anglian village signs.

"If the subject is sufficiently offbeat or obscure we will consider it," said John Rotheroe, 56 who owns and runs the company with his wife Jacqueline, though he admitted that with an average of three to four books offered to him every working day the majority of aspiring authors are disappointed.

Rotheroe spent two years working in a London advertising agency after he left the London School of Economics with a degree in medieval economic history, even so he is not a man given to seeking publicity.

"We did once achieve fame - in a *Guardian* fourth leader that enthused about a book we produced in the late 1960s on ancient hill figures," he said.

His favourite way of promoting his staunchly independent seven-person company is to spend many days - including weekends - "on the road", visiting some of the 6,000 accounts in this country, most of whom he knows personally.

"They range from very large branches of W H Smith to museums, stately homes and small parish churches - Orford church in Suffolk is our oldest account," he said.

"Visiting the customers regularly not only results in sales, but returns, which, strangely enough, I do not mind," Rotheroe said.

"A lot of our titles are so obscure that booksellers find they can't sell them, so it is our policy to buy these back at the price we charged for them. Some people think this is odd, but it is only common sense really. It does nobody any good having old tatty unsold paperbacks hanging around. Besides, returns total only about five per cent, and we build this figure into our costings."

The best selling titles might sell as many as 3,000 of the 500,000 books Shire expects to sell in a year. Titles such as John Bly's *Hallmarks in English Silver, Heraldry, and Your Family Tree* have been

reprinted many times. The Bly book has gone through 13 reprints.

For the effort in selling this number of books - and often in mailing a single book worth under £1.50 after the retailer's discount is taken into account - Shire turns over a mere £650,000 a year. Profit this year could well be as low as £40,000 before tax.

Most of this figure will be ploughed back into the company. It is many years since Rotheroe borrowed money.

This partly explains why, even if the Rotheroes wished to sell out, no large publisher would be keen to acquire the company.

"Our low figures keep the big boys away. We have had one or two nibbles, but not for many years," Rotheroe said.

**Shire Books authors include 80-year-old Harry Beran who has just produced *Betel Chewing Equipment of Eastern New Guinea***

"We should probably be a lot more profitable if we restricted our number of titles (500 are in print), but that would take away a lot of the fun. Warehousing for small books such as ours is not expensive and I like to be able to supply the odd unusual title, if that is what a customer wants."

"I am particularly proud of our Shire Ethnography series. To say they were less making would be a kind way of putting it. But nobody was doing cheap ethnography - our titles cost £3.50 - and there was a need. We have some of the best names in the subject between our covers. They include 80-year-old Harry Beran, who has just produced a volume entitled *Betel Chewing Equipment of Eastern New Guinea*.

Shire Books has only one outlet in New Guinea and only 10 per cent of its sales are overseas. This is an area Rotheroe would like to expand, though probably not yet, its Australian distributor recently went down leaving them with an £8,000 debt.

Even so, Rotheroe says the recession has affected Shire far less than bigger publishers.

"I think this is because we are so widely spread," he said. "Invoices average around £10,

so although this is very labour intensive it rarely means we are owed great deal by a single customer."

"Nevertheless this year we are not really expecting to make much more than the previous year. The recession has affected the tourist trade, which has in turn affected us. Also with so many museums now charging for entry we find people are less inclined to buy a book in the shop at the end of their tour."

"They often used to do this automatically as a sort of thank-you gesture."

"However we always try to take a long-term view. We look upon the ethnography titles as a 15 year project. It will probably be that long before people start taking notice and buying them in numbers."

"We have also had some success in producing books ahead of demand. A good example was the Comics title in our Discovering series."

Another keystone of the Shire policy is updating whenever a title reprints.

"We try hard to keep our subject matter current," he said. "Although we pay our authors an advance of only about £500 for a 5,000 word Shire Album title and a royalty of 5 per cent, through regular updating and a low selling price we keep them in print for years. So many books have a small print run, a high cover price and a very short life."

To keep prices down - books in the Shire Album series for example have cost £1.95 for the past three years - the company does nearly all the design in its 17th century town house headquarters in the centre of Princes Risborough. Only the photographs are added to the page at the company in Wales that has printed nearly all their titles for the past 20 years.

"Low prices are our creed," Rotheroe said. "When we started we were selling books at the price of a gin and tonic. Now I say that some of our titles cost no more than the price of a pint of beer."

"Very often a Shire book is an impulse buy - it is the 'oh!' factor we so often sell on. And you can only achieve that by keeping prices low."

"It means we don't make huge profits. But we manage to survive and enjoy ourselves on all the obscure topics we do. It would be flattering to be imitated. But nobody would want to. Our books are too slow selling."

■ *Shire Books free autumn catalogue is available from Cromwell House, Church St, Princes Risborough, HP27 9AZ. Tel: 08444-4301.*

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***Philippa Davenport considers seasonal accompaniments***

Given that geese has different eating qualities at different stages of the season, I like the idea of varying the accompaniments accordingly. Early autumnal fruits would seem the most appropriate choice for geese in September - and obviously is flourishing more deliciously this November than June.

So, I shall probably serve my *Myrica gale* roast geese at the end of the month with sloe and plum jelly or perhaps a compote of prunes - the

larger for 45-72 hours, stirring occasionally if passing.

When the geese is roasting, strain the prunes, discard the spices and bring the prune liquor to boiling point. Boil for one minute. Pour the scalding liquor over the prunes, cover and place in the plate warmer so the fruit is gently and thoroughly warmed through by the time the compote is served.

*Goodman's Geese, Walsgrove Farm, Great Witney, Worcester WR6 6JJ. Tel: 0299-956-272.*

A wee,

Georgian cooking is, however, unique. Georgians are great meat-eaters but their classic dishes,

More than 7,000 ft high in the mountains and a 14-hour, spine-rattling Jeep ride from Thillisi, Ushguli largely is cut off from the rest of the world and, on the whole, remains as self-sufficient in food as it does in everything else.

Snowed-in for most of the year, and

• Suckling pig, wild mushrooms fried with mountain herbs; a fresh, mint-sprinkled, mozzarella-like cheese swimming in a bowl of warm milk; various pork organs simmering in a hot pepper stew; newly-baked bread with yet more cheese cooked and melted inside – this is only some of

investigation is needed. But given the boundless nature of Georgian hospitality and the pleasures of the table there, there can be no lack of researchers. Having barely recovered from my first bout of inquiries, I drifted off in happy contemplation of further intensive study just a short night and a sunrise away.



*Nicholas Woodsworth falls victim to Georgian hospitality – and wonders how they manage to live so long when they drink so much vodka and eat so much spicy food*

plums; fiery sauces of chilli peppers and garlic; cooling preparations of yogurt and mint; *mille feuille* pastries dripping with honey – typically, all will be found at one time at the same Georgian meal.

Individual courses, in fact, have no place in the Georgian – an expression of the Georgian exuberance for abundance, generosity and sharing – is that the table is covered from one end to the other.

Loaded with serving bowls, platters, tureens, heaped plates, bottles of all delicacies and wines that are new, expensive, must clank with the sheer weight of food and drink.

More than 7,000 ft high in the mountains and a 14-hour, spine-rattling Jeep ride from Tbilisi, Ushguli largely is cut off from the rest of the world. Ushguli, in other words, remains as self-sufficient in food as it does in everything else.

Snowed-in for most of the year, and is reserved for special festivals and involves the whole community. But visits to Ushguli are rare, and guests honoured there. Shortly after we were taken into the warm kitchen of Kolla's solid, stone-built house, his daughter disappeared out the back with a folding knife and a large tub of boiling water.

The terrific, high-pitched squealing that broke out a minute later ended in a sudden, ominous silence; before long, a good-sized baby pig, its skin scaled off of bristles and its throat sucked up neatly with bread, was skaling in from the roasting that was stoked until it glowed red.

• Snacking pig, wild mushrooms fried with mountain herbs; a fresh, mint-sprinkled, mozzarella-like cheese; swimming in a bowl of warm milk; variegated pork goulash turning in a peppery stew; new potatoes baked with yest more cheese cooked and melted inside – this is only some of

Stumbling upstairs and falling into bed, I found myself thinking of the fine lusty organogenarians singing in the choir at the Tully restaurant. It was this kind of life that they had led one decade after another, had those elderly gentlemen survived so long? Was it possible to over-eat, over-drink and over-smoke oneself into vigorous old age?


The secrets of Georgian longevity have yet to be revealed, and more investigation is needed. But given the boundless nature of Georgian hospitality and the pleasures of the table there, there can be no lack of researchers. Having barely recovered from my first post-prandial inquiries, I drifted off in a pleasant contemplation of further intensive study just a short night and a sunrise away.

## A wee, fruity dram

Opinions vary considerably on why the flavours of whisky differ so greatly when the techniques and materials used to make them are so often the same. Many distillers will point to the stills as the origin of style; all of them stress the water, too. It is the presence of trace elements in the mountain

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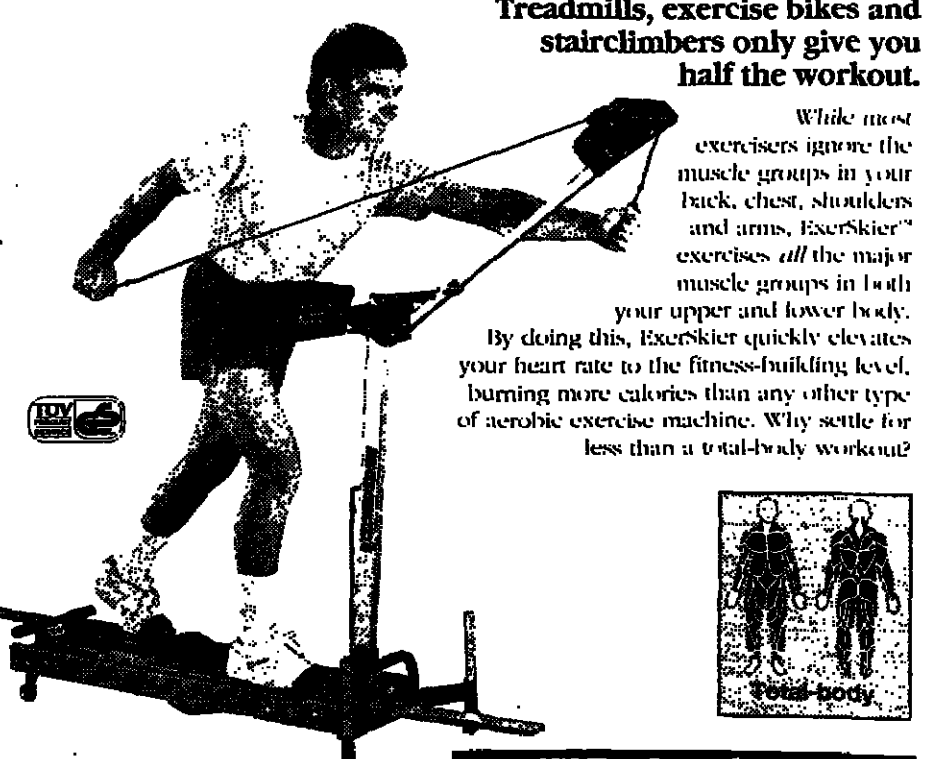
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with south door open from 1999 to 2000 and from 2001 to 2002. The door was closed from 2000 to 2001.



## HOW TO SPEND IT

## Gadgets and gizmos for the techno-freak

Michio Nakamoto looks at the latest electronic offerings to make the most of a push-button life

**T**HE GARDEN parol is back in the shed, the photographs from Paradise Isle have long been filed, or stuffed into boxes, and many people will be in low spirits as they come to grips with post-holiday blues.

Not to despair. This autumn promises a number of sophisticated electronic gadgets to carry anyone away on a flight of fantasy, or at the least, to inject a buzz into the routine of everyday life.

In all sectors of consumer electronics, manufacturers have been inventing gadgets to rekindle some spark in demand after what has been, for them, a lacklustre few years. In the months to come we can expect to see a number of exciting new products, as well as a range of improvements to familiar ones that will make life a lot more entertaining...

## AUDIO

Top of the list must be the range of portable audio products being introduced by Philips and Sony this autumn. These will feature compact disc quality hi-fi sound and have caused something of a stir in the industry.

Digital Compact Cassette - or DCC, as it is more commonly known - is a digital audio cassette developed by Philips which should replace conventional analogue cassette tape recorders. The rival to DCC being launched by Sony in November is the MiniDisc, best described as a small CD.

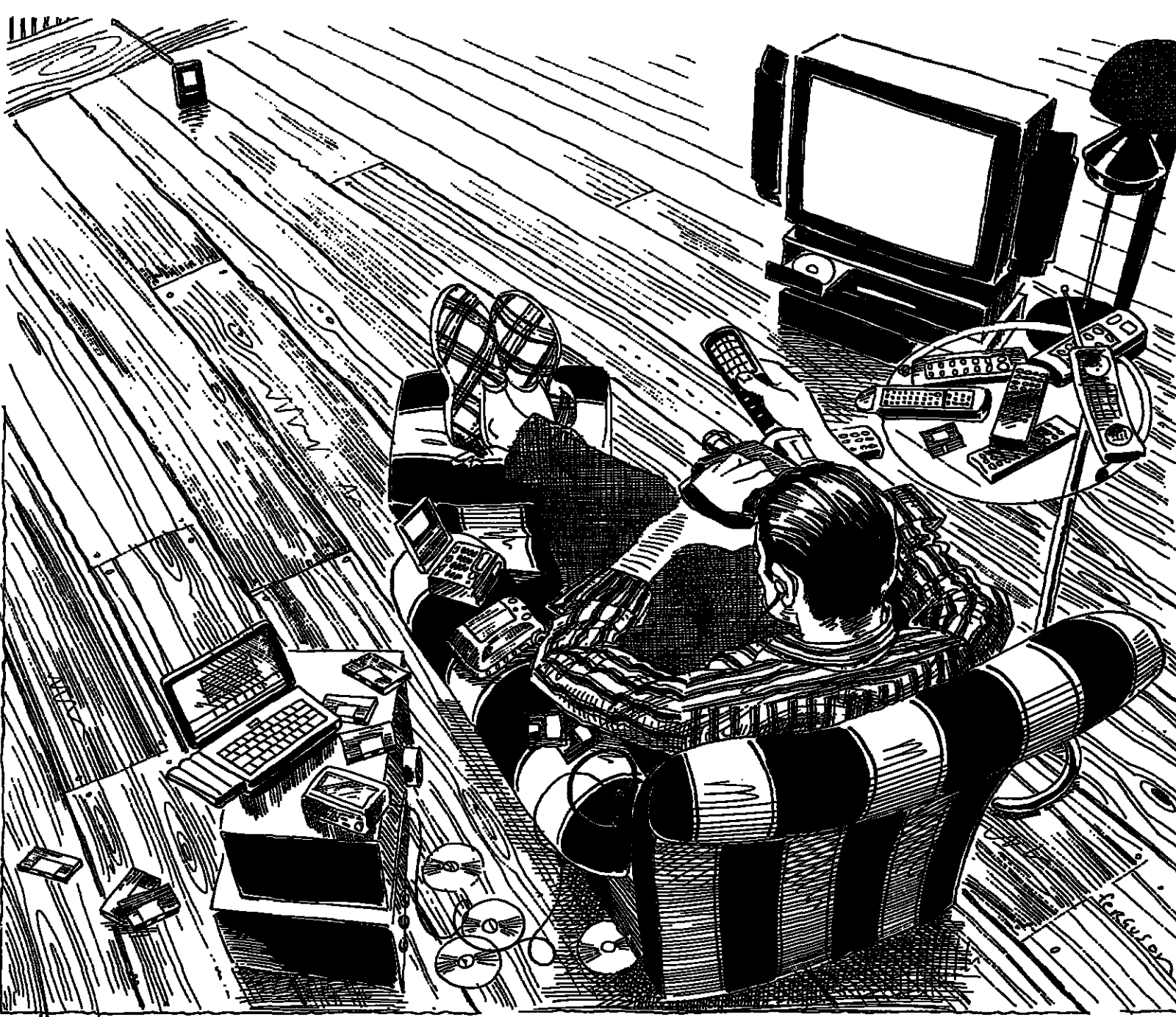
Both formats will enable CD enthusiasts to carry the crisp and clear sound of CDs with them when they are out and about without worrying about "sound skipping", the jogs and jumps that can occur with conventional portable CD players. They can also be used to record CD-quality sound.

The DCC tape will be enclosed in a protective case, so those with children need not worry about little sticky fingers pulling their favourite Mozart tape out all over your living room floor. The MiniDisc is also in a protective case for easier portability.

The benefit of DCC is that it will also play conventional analogue cassettes, as well as the new digital ones. As for MiniDisc, the biggest advantage it has over DCC is that it offers random access - the ability to skip from any one track to another.

The crucial question for both, however, is whether there will be sufficient recorded music to play on the new equipment when it is launched, although both Philips and Sony are confident that there will be "hundreds" of titles available on each format at the launch date.

The digital tapes and MiniDiscs are expected to retail at prices similar to CDs but Philips and Sony have not announced European prices for the portable units.



For the home-based audio enthusiast, the most exciting product on offer in the coming season is the wide-imaging stereo loudspeaker manufactured by Canon. Unlike conventional stereo speakers, Canon's WIS speakers provide stereo sound regardless of where you physically are in the room. With conventional speakers, the stereo effect is only available within a limited area, known as the "hot spot," where sounds from each speaker overlap. Anywhere else, what you hear sounds as if it were coming only from the closest speaker.

Canon says that its wide-imaging speakers give a stereo effect over an area at least six times larger than conventional box loudspeakers. It is introducing a new consumer model at the consumer, rather than professional, price of £149.95.

Those who are perfectly happy with their existing CD

player might however fall for a useful little accessory: a CD lens cleaner.

CD players are fitted with tiny lenses which focus the laser beam that reads the signals off a compact disc. When the CD player begins skipping or stuttering most people assume that something is wrong with the machine, but it is more likely that the CD lens has become dirty. A lens cleaner can solve the problem.

The latest product offering from a Japanese company called Tarsun is an ordinary CD, but with what looks rather like a tiny brush on one side of the disc.

It is known affectionately by its UK distributors, Strong UK, as the "rens cleaner." When played, a sweet female voice explains how it should be used. The language, which is undeniably English, sounds strangely like Japanese.

## TELEVISIONS

Portable TVs have proved very popular among those who want to watch their favourite football match while en route to the next meeting.

Citizen, the Japanese company better known for its watches, will launch a portable colour TV and video monitor with a 4 in liquid crystal display (LCD) screen later this month in the UK. Citizen's

model will have a built-in hood to keep light - either sunlight or artificial - from reflecting off the screen, which can make it impossible to see anything. It will retail for £249.99.

Another handy portable TV is Toshiba's multi-standard LCD TV, due to hit UK stores next month. This handsome portable can receive pictures in almost any country except France, which has a unique TV broadcasting system called

SECAM-L. Although at £599.99, more expensive than the Citizen, the Toshiba will be attractive to the business executive who travels outside the UK.

## CAMCORDERS

TV compatibility problems aside, the French, like many of us, have taken to home movie making in a big way - as anyone who spent the summer on a French beach will have noticed.

For the coming season Akai, the Japanese electronics manufacturer, is bringing out a camcorder - or rather a palmcorder, since it fits your palm - that is even more intelligent than the hi-tech models already on the market. Akai's new model has a horizontal shape which makes it easier to use with both hands in order to minimise picture shake. An auto-chase focus function focuses the camera on the chosen subject even if it strays out of the centre of the viewfinder. It is priced at £599.

Meanwhile, Sony has taken the amateur moving-making industry a step further with the introduction of its colour video printer, which can take still photographs from a home movie. The printer, which will produce pictures from a camcorder, video recorder or even a TV broadcast, is perfect for sending Granny those wonderful shots of the new baby wrecking her cot, although at a cost of £999.99 in the UK it is largely for the enthusiast.

## CD SPINOFFS

One of the most promising growth areas in consumer electronics is in the field of CD spinoffs. To most of us, compact discs are merely a music recording medium. But manufacturers have been busy finding different applications for the versatile discs which can hold vast amounts of information, from sound, text and graphics to video.

Sony created the Data man, essentially an electronic book, which was launched in the UK this summer. The Data Discman gives the user instant access to a vast quantity of visual information stored on a CD-sized disc.

So, if you are travelling on business to Tokyo, do not burden yourself with a phrase book, a book on Japanese table manners, a guide to Japanese restaurants and another on Japanese country spas. Just take a Data Discman and a few slim discs, each capable of

holding the equivalent information contained in 200 telephone directories, which should provide you with all the information you will need. The Discman, which costs £249, can also play ordinary audio CDs.

Philips's offering is the CD-I, a heftier machine which resembles a computer games machine, electronic book CD-player and computer all rolled into one. The CD-I, which hooks up to the TV and audio set, allows users to manipulate material on screen, ranging from text, animation and video. The UK price of £599 is likely to fall since Philips has recently reduced the price from \$900 to \$600 in the US.

Kodak, meanwhile, has its photo-CD machine which allows you to store your pictures on a CD-disc and look at them on television. It may be about time to say good-bye to all those boxes full of old, crumpled photographs. The Photo-CD costs £299.

## MOBILE PHONES

If greater convenience, rather than enhanced entertainment, is your goal, consider Sony's new mobile phone handset, due to be launched for use on Cellnet's consumer cellular phone service this autumn for £299.99.

The first handset targeted at consumers, rather than business users, it is an attractive, easy-to-use mobile phone that would fit easily into a handbag. It will be sold by high street retailers rather than through specialist services providers which currently handle all mobile phone sales.

## PERSONAL ORGANISERS

At the more business-oriented end of the market, or for those who just like to keep things organised, electronic personal organisers are just the thing. Sharp's IQ range, for example, with its choice of software from the Bible to video games, is an attractive product.

Sharp's range costs from £179.99 for a standard model which can take 1,070 telephone numbers to £259.99 for a more powerful one that can hold over 5,500 telephone numbers. However, unless you are the organising type to begin with, and unless you are happy to deal with a tiny keyboard, it might be best to wait until the much-publicised personal organisers that will allow you to use a pen, rather than a keyboard, become available next year.

## Restaurants hit back

**T**HE GLOOM that was settling earlier this year over that privileged group, professional restaurant reviewers, seems to be lifting.

Many restaurateurs are responding to the need for smaller bills by offering more Italian food. Although the Forte group has instilled Nicos Ledenis in Nico at Minster (tel: 409-1296; all numbers should be prefixed with 071) at the Grosvenor House, revamped the Criterion Brasserie (925-090) on Piccadilly Circus with Bob Payton, and appointed Helmut Berger as the head chef at the Cafe Royal (499-6320) it has also launched what it calls a family of Italian restaurants around London which includes Tutu! W2 (724-4657), Scarlot! SW1 (222-3338) and Issimo! EC3 (823-3616).

Other restaurants offering good value include a new brasserie at 190 Queensgate, SW7 (581-5666) specialising in fish instead of the former expensive restaurant, Calzone in NW3 (794-6775) and W11 (243-2003) The Boulevard in WC2 (240-2922) Brasserie Lipp, SW3 (584-4484); and Wagamama, WC2 (333-9223) offering reasonably priced Japanese food.

Two pubs have sensibly decided to put small dining areas to more profitable use: The French Dining Room has opened above the French House in Dean Street, W1 (437-2477) and The Lansdowne operates as a sister to Farringdon Road's Eagle in Gloucester Avenue, NW1 (463-0409).

New and prospective restaurateurs are being encouraged not so much by any upturn in consumer spending but rather by the weakness of the property market. High premiums have always been a new restaurant's first financial hurdle

and the rent is the highest of any restaurant's fixed costs. Today, however, it is a buyer's market, at least for the brave.

The Argyll (352-0026), which opened earlier this year on the Kings Road, managed to pay no premium at all and keep refurbishment costs to £150,000.

Banks and receivers, not normally known as restaurateurs' best friends, are now taking a more kindly attitude as they try to dispose of sites that have succumbed to the recession. Hence, Lexington will soon reopen on the old Soho site of Sutherlands, and Beauchamp Place in place of the old Menage à Trois.

Martin Lam, formerly head chef at L'Escargot, will together with his wife, be opening his own restaurant at Ransome's Dock, Battersea (223-1611) on the site of the former Le Chausson.

The restaurants' future success will depend on how and whether they can pass these financial benefits on to their customers. The most dramatic example of how the British restaurant goer may benefit comes from New York.

Faced with empty tables over a long hot summer, some 50

New York restaurants, including some of the top names, such as Le Perigord, Gotham Bar and Grill and Bouley, came together at the instigation of Tim Zagat, restaurant guide publisher and Joe Baum, restaurateur, and offered three-course lunches at a fixed price of \$19.92 (£10) excluding tax and service.

The campaign, launched in mid-July, brought restaurant madness back to New York and was continued at some restaurants until early this month. It filled tables and, although it may not have generated substantial profits, created a lot of goodwill.

According to Bryan Miller, food critic of The New York Times, the long-term legacy may be more creative marketing by restaurants - discounts, pre- or post-theatre or ethnic themes - and repeat customers in the quiet months after Christmas. But, in the short term, the event has reminded New York restaurateurs of something fundamental: restaurant goers are voracious for bargains. A margin, it would argue, equally valid on both sides of the Atlantic.

Nicholas Lander

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## FASHION

# Down and out in London but *not* in Paris

Whatever you wear in the French capital make sure it's immaculate, says Alice Rawsthorn, who has been scouring the city for bargains

WHEN Dan Walker was a solicitor in London he had no choice concerning what he wore to work. "It had to be a suit, darkish, with a quiet tie. If I'd worn anything else I'd have been sent straight home."

Now he works as a film lawyer in Paris. "It's completely different. I wear linen suits in summer and a blazer with trousers in winter. If I don't have client meetings I go to the office in jeans. I also wear lots of colour - greens and reds - that I'd never have worn in London."

Style is something that Parisians take seriously, very seriously, much more so than their London counterparts. Everyone, male and female, is expected to take an intelligent interest in the way they look. The difference in dress is probably most marked for men.

There is no gallic equivalent to the sober-suited City of London uniform, as a glance at the male members of the French cabinet - Jack Lang, the Thierry Mugler-clad arts minister, or Laurent Fabius, first secretary of the Socialist party, in his chic linen jackets - attests.

France's female politicians - Elisabeth Guigou, minister for European affairs, in Chanel and Edith Cresson, the former prime minister, in Toronté - are just as colourful. Although the dress code for women is probably more rigid in Paris than London.

"Women here are far smarter," says Lady Sara Fergusson, who has lived in Paris for five years since her husband, Sir Ewen, became British ambassador. "But they are often less imaginative. There is definitely a uniform."

The uniform for the *haute bourgeoisie* ladies who lunch at the glossy restaurants along Avenue Montaigne, La Maison Blanche and L'Avenue, is a Guigouesque combination of Chanel suits with short (ish) skirts and the sheerest tights. They may gossip about the new long skirts they saw at the fashion shows, but they would not dream of wearing them.

But short skirts are out in Bohemian Paris. There was barely a shin in sight at the Matisse art gallery openings last Saturday that marked the start of the autumn arts season. Any legs which were not hidden behind long hemlines were swathed in black leather.

Whatever you wear in Paris it must be immaculate. One day I went to cut some ivy from the riverbank beneath my apartment on the Ile Saint-Louis. I dressed for the task - an old catsuit, Levi jacket and fashionably, or so I thought, battered Gucci loafers. I stopped off at a café for a coffee

and croissant only to realise that I did not have enough money. The *parvienne* brought the coffee and croissant explaining - with a sympathetic smile presumably saved for paupers - that it was free as I looked "thin and hungry".

When my colleague, Will Dawkins, moved to Paris from the FT's Brussels bureau, he took a favourite tie to his local dry cleaner. He returned to find it torn into pieces. The cleaner said he could not possibly have cleaned it as the tie was "dead" and he had done Will a favour by dismembering the corpse. Dan Walker remembers his Parisian girlfriend howling with horror at his shoes. "She said they were filthy. She was right. No one had noticed in London."

The consolation is that it is easy to dress well in Paris. The city is crisscrossed with dry cleaners, cobblers, seamstresses and couturiers. "What I miss most of all are the seamstresses and cleaners," says Natalia Fawcett, who recently returned to London after five years in Paris where her husband, Edmund, was correspondent for *The Economist*. "Paris shops always alter whatever you buy so it fits perfectly and dry cleaners tell you exactly how they plan to treat your clothes."

Paris also has more shops to choose from. The areas around avenue Montaigne, rue Faubourg Saint-Honoré, place des Victoires and rue de Grenelle are packed with designer stores. And the city abounds with bargains. Jane Cattani works for Christian Dior where she has the pick of the collection, but she also scouts around Agnès B. and the La Redoute mail order catalogue for "cheap fillers".

Lady Fergusson favours Givenchy for grand occasions, but browses around the department stores for "everyday things". Natalia Fawcett bought most of her Parisian clothes from the *dégriffé* shops at place d'Italie, where the designers sell leftovers from previous seasons at a fraction of the original price.

The biggest bargains are the *soldes privés* to which designers invite faithful customers. These are held on the eve of the normal sales so you have the pick of the bargains and prices are lower. The only hitch is the queue. One friend arrived at Christian Lacroix to be told by the doorman that it would be at least three hours before she could enter the shop.

I queued for an hour at the Yohji Yamamoto men's *soldes privés* to pay for blue trousers "ordered" by a friend in London. At home I realised they were black, not blue. A Parisian would not have chosen the wrong colour.



Julie Verhoeven

## Haute Bohème.

Role Models:  
Andrée Putnam  
Ann Demeulemeester  
Ellen Von Unwerth  
Designers:  
Martin Margiela  
Romeo Gigli  
Yohji Yamamoto  
Accessories:  
Hermès Kelly bag  
Antique jewellery  
black, black, black

## Bébé

Role models:  
Mathilda May  
Vanessa Paradis  
Béatrice Dalle  
Designers:  
Jean Colonna  
Helmut Lang  
Dolce & Gabbana  
Accessories:  
platform shoes  
Afghan coat  
pout

## L'impeccable

Role models:  
Laurent Fabius  
Christian Lacroix  
François Léotard  
Designers:  
Hermès  
Charvet  
Giorgio Armani  
Accessories:  
Hermès tie  
suntan  
ENA degree

## Toute Parisienne

Role Models:  
Elisabeth Guigou  
Ines de la Fressange  
Anne Sinclair  
Designers:  
Chanel  
Christian Lacroix  
Karl Lagerfeld  
Accessories:  
Chanel quilted bag  
Hermès scarf  
Michel Perry pumps

## Boho

Role models:  
Jean Nouvel  
Marcel Marongiu  
Jean-Baptiste Mondino  
Designers:  
Jean-Paul Gaultier  
Comme des Garçons  
Yohji Yamamoto  
Accessories:  
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White T-shirt  
two-days' beard growth



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## SPORT



All-American boy: new citizen Ivan Lendl was roared on by the crowd in his five-set battle with Stefan Edberg

Tennis/John Barrett

## Three players audition for role of American Messiah

**H**ANDEL could have handed it. In the idiom of today's entertainers George Frederick would surely have given us "Messiah II" to celebrate the arrival of a new American on the tennis block, a man who will succeed last year's surprise semi-finalist, Jimmy Connors, as the object of worship in the hearts of New York's boisterous tennis fans.

But who will fill the starring role now that the 40-year-old, whose birthday party was spoiled this year by a ruthless Ivan Lendl in round two, has departed the scene? Will it be the solid, stolid Jim Courier, the blue-collar battler from Dade City, Florida who looks like a grown-up version of one of those Norman Rockwell straw-chewing, all-American boys in blue denim shorts, a plaid shirt and tousled fair hair? The 22-year-old was a finalist here 12 months ago and has already claimed this year's Grand Slam titles in Australia and France to make himself the world No 1.

Or will Pete Sampras, his stylish opponent in this afternoon's semi-final, become the next object of worship? The 21-year-old from Florida became the youngest winner of this title in 1990 with a spectacular display of power tennis that had crushed in succession Ivan Lendl, John McEnroe and Andre Agassi. But the shy 18-year-old has not been physically or emotionally ready to bear the burden of national expectation and had seemed almost relieved when Courier removed his crown last year at the quarter-final stage. "At last the monkey is off my back," he had said.

That was the only occasion in six previous meetings that Courier's

awkward-looking topspin game has prevailed against the smooth-stroking Sampras. Courier's is a physically demanding game and ever since his second French win last June, he has looked emotionally drained, unable to commit himself fully to the punishing training sessions that have brought him his success. Here, for the first time in three months, Courier has looked as if he is enjoying his tennis again. He can thank his coach Brad Stine and his tactical adviser, the former

ft 8 in and weighing a mere 145lbs Chang is a dwarf in a land of giants. But he compensates for his size by taking the ball on the rise to use his opponent's pace and covers the court with electrifying pace. His fighting qualities have never been in question, ever since he won the French Open so dramatically at the age of 17 in 1989. He has been out-gunned in his last two matches here this year against fellow American MaliVal Washington and the improving South African Wayne

as he won the tie-break that levelled the match. In the closing stages, however, Chang realised that his opponent's movement was slightly impaired and he maintained his consistency to win 7-5 2-6 6-3 7-6 6-1 after four hours and 17 minutes of great entertainment. Thus, for only the second time in his career, Chang would play in the semi-finals of a Grand Slam Championship. You can be sure he will give a good account of himself.

"It is important for me not to go into the next match satisfied. I have to keep my head down, keep working at it give myself the best chance to win this tournament," he said.

Edberg, the title-holder, never did finish his business against the three-time former champion Lendl. Just after midnight, with three hours of actual play behind them, spread over two sessions that were interrupted for 50 minutes, the rain returned with Edberg leading 6-3 6-3 3-6 5-2-1. But he will not have slept easily. Leading 5-4 in the fourth set he had Lendl at 0-40 - three match points.

Lendl, a newly naturalised American, drew inspiration from the fervent support of the still vast crowd to produce some of his finest serves as well as two crucial volleys that saved the day. Another match point was saved with a virtual ace and the respondent, Sweden, then surrendered his own serve and watched helplessly as Lendl won the set.

So will it be Courier, Sampras or Chang - or will all three have to give best to a foreign-born adversary? If one of the young Americans does bring home the Championship you can be sure that 20,000 voices will be ready to join together in a rendering of "Hallelujah II".

*Three young Americans have reached today's US Open men's semi-finals. John Barrett asks which one will inherit Jimmy Connors' place in the hearts of the fans*

Spanish No 1 Jose Higuera, for his renewed zest.

Sampras now looks more like the champion we all thought he would become. He has filled out to become a formidable figure physically and hits those crisp, flat drives and pounding serves with much more consistency. He came here with victories over Boris Becker, Courier, Stefan Edberg and Lendl that brought him the recent titles in Cincinnati and Indianapolis and has now won his last 15 matches. You cannot buy the sort of confidence that such successes bring and Courier's objective will be to dent it early in their encounter today.

But wait a minute. What about the other young American in action today? Perhaps it will be the diminutive Michael Chang who will inherit the Connors' mantle. Certainly no-one will question the 20-year-old's courage. Standing only 5

Ferreira but in each match he found a way to turn things his way in the fifth set.

The quarter-final against Ferreira had been scheduled as Thursday's night match but because of the storm that hit New York early in the afternoon it was moved to the Grandstand Court just before 6pm. This was necessary so that Stefan Edberg's match against Ivan Lendl could follow the interrupted doubles semi-final on the Stadium Court in which Jim Grabb and Richey Reneberg eventually gained revenge 3-6 7-5 4-6 6-2 against John McEnroe and Michael Stich for their defeat in the Wimbledon final.

The Chang v Ferreira battle was a marvelous affair, full of spectacular forehands and expensive losers from the South African (he committed 104 unforced errors altogether), whose thigh injury at the start of the fourth set was bravely ignored

Golf/John Hopkins

## Lord Shelburne's elegant answer

**L**ORD Shelburne was worried. The noble brow was furrowed. His family had owned Bowood House and farmed it successfully for nearly 300 years, but now the yield from a parcel of land laid out to arable farming was appalling. Profits were plummeting faster than ripened apples.

He looked at the figures for 1985-86. There would be a profit of £7,000 on a turnover of £1.2m. "It was as clear as can be that if we continued like that we'd had it," he says.

Something had to be done with the unprofitable 1,500 acres on the estate near Calne in Wiltshire. Several suggestions were made: the one that was followed was to build a golf course. Golf courses were in vogue.

At first, the proposal was as grand as the house itself, where Joseph Priestley discovered oxygen in 1774. It has rooms designed by Robert Adam, and grounds laid out by Capability Brown. There would be an hotel, a country club, a championship golf course. Nothing but

the best would do.

The Savoy Group was coming in as a partner to run a 120-bedroom hotel. Planning permission was granted. A sum of £8m would be raised by debentures to cover the total cost of the project, which included a 40,000 sq ft clubhouse built on American country club lines with swimming pool and tennis courts.

Now came the first stroke of luck for Bowood. The hotel group pulled out of the venture. On the other hand, the project was going ahead and the golf course, designed by Dave Thomas, was untouched.

The Gulf War is not a pleasant memory for many people, but it has its appeal for Lord Shelburne. By October 1990 he realised his scheme was still too grand. The sale of debentures was not going

well, not only because of the Middle East crisis but in part because a new golf club at Castle Combe barely 10 miles away was competing for the same sort of rich investors. He cancelled the debenture scheme altogether. "I was depressed," he says. "I had now made two changes in five years. I began to wonder whether I was ever going to get this off the ground."

Other changes were made. The clubhouse was scaled down from 40,000 sq ft to 12,000 sq ft. Instead of being a purpose-built project, it was decided to convert an old farm and its associated out buildings. Most significant, it was also decided to make Bowood a pay-as-you-play course, with a small number of memberships available, what the Americans call a semi-private club.

It was a case of third time lucky. There were no further hitches. Bowood Golf & Country Club, laid out on 200 acres in the western corner of the park, opened this summer. It has 200 of its desired 250 members. It is averaging 50 rounds each day; during the summer, an average of 1,500 rounds each month were played.

The course is long and testing, quite capable of staging a championship. It sprawls comfortably within its distinguished surroundings and is pleasing to the eye, although I find the lake on the side of the 4th an eyesore. In addition to the course, there are three practice holes, known as the Academy, where Nigel Blenkarne and his assistant professional do most of their teaching, and a driving range.

The conversion of the old farm buildings into a clubhouse that looks like a large Cotswold house with outbuildings has been achieved with taste. Exposed beams are everywhere. The men's locker room, which is too small, is in a building erected in the mid-18th century. Corridors are floored with 200-year-old flagstones. The shop and office for the professional have been converted from a barn, which also contains a self-service restaurant. The driving range is made out of cedar, the wood coming from an elderly and extremely large tree that was blown down in the storm of 1989.

The surprises at Bowood do not end there. Golf clubs, being dominated by men, are almost always managed by men, often retired service types. Bowood is managed by a

sparky woman who once sold non-ferrous metals and later ran two engineering businesses.

Sally-Jane Coode, currently a regional business woman of the year, was appointed chief executive in April 1991. If her appointment was a surprise to everyone else, it was not to Lord Shelburne.

"It is all new to her and new to me but she had a proven track record," he said. "Running any business has a structure. So long as you learn and listen and get the structure right one business is very similar to another."

With the welcome briskness of one who is not bound by tradition, Coode has swept aside some typical golf club shibboleths. Men and women are treated exactly the same - same rates, same rights. She has no truck with pompous

signs for the captain, lady captain and so on in the car park. Her feminine touch ensures the visitor receives a warm welcome. There is no joining the queue in the dining room, so often a thorny problem, is relaxed. "Men spend all week wearing a jacket and tie. I see no reason to make them dress the same way at the weekend." She has even met and defeated the greatest challenge of all - that of maintaining the quality and quantity of soap in the men's changing room.

Bowood is a young venture and it has cost a lot of money. Buildings had to be dismantled, sheep and cattle replaced, existing buildings converted. The course cost nearly £2m and consultancy fees from the start were considerable. In all, the venture cost nearly £5m.

To my mind it is an object lesson in the way to build golf courses in the 1990s. Apart from anything else, it represents good value for money. You can pay £500 annually and £10 for each round or £275 annually, for which you become a card holder or a member by any other name. It deserves to succeed.

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Motoring

## The cheap new Bentley: just £91,000

**Y**OU COULD, I suppose, describe the new Brooklands as Bentley's entry model, an upper-crust equivalent of a Vauxhall Cavalier or Ford Sierra 1. And, compared with the £168,294 tag on the Bentley Continental R, the £91,498 list price of the Brooklands is quite modest, even

though it is more than £6,000 dearer than the Bentley Eight it replaces.

Rolls-Royce Motors, which makes Bentleys, believes the £91k price will not frighten off the punters. It says the Brooklands is "squarely targeted to appeal to luxury car buyers who may not have considered purchasing a new Bentley before."

If they are tempted, and the money is available, what will they get? Probably the best combination of refinement, performance and value Rolls-Royce Motors has offered.

In the past, I have criticised Rolls-Royces for their soggy handling, and the firmer-sprung Bentleys for their tyre thump on less-than-perfect roads. I take none of it back. But a brief drive of the Brooklands suggested that the newly-developed suspension dampening, controlled by micro-computer, has achieved the best of both worlds. The big car rides silently and shock-absorbently but drives with a new and rewarding crispness.

Of course, covering only a few miles in rural Surrey and

Hampshire, with four people taking turns at the wheel, is a taste, not a test. Even so, I reckon its handling and road-holding would satisfy many a well-heeled business motorist who previously has driven only Jaguar, BMW 7-Series or Mercedes-Benz S-Class saloons.

No one, though, would seriously consider buying a Bentley Brooklands just because it

*Stuart Marshall enjoys a brief taste of the Brooklands*

goes and handles well. Its appeal is more subtle. The hand-built interior, trimmed (and perfumed) by Connolly hide, Wilton-carpeted and decorated liberally with flawless wood veneer, is what sets it apart even from the cream of volume-produced motor cars.

The Brooklands, named after the famous old circuit on which cars raced for the last time in 1939, looks much better from the front than the Bent-

ley Eight. It has a vertically slatted radiator grille, not one looking as if it were made from silver-plated wire netting.

Bentley aficionados (although probably no one else) will notice the Brooklands has a seamless bonnet instead of one with an apparent hinge down the middle. "The selector for the four-speed automatic transmission - bought from General Motors in the US but with Bentley's own control system and as smooth as you would expect - is on the centre console, not the steering column."

The 15-inch alloy wheels, shod with sensibly proportioned 70 series Avon tyres that make their own contribution to the Bentley's nimbleness, are also new. Otherwise, nothing really has changed. The engine remains a 6.75-litre V8 of undisclosed output; the detailing, as always, is as good as painstaking craftsmen can make it; and the car is still a heavyweight at 2,350 tonnes.

Rolls-Royce Motors can never hope to match the sheer technology of producers like Daimler-Benz with £1m a day research and development bud-

gets. It does, though, take small but continuous steps in product improvement. They show in the Brooklands, which is a significantly better car to drive than the Eight.

Bentley (and Rolls-Royce) brand loyalty must be the envy of many lesser marques; eight in 10 owners expect to buy another. "We shall have to work on the other 20 per cent," says Michael Donovan, the managing director (commercial). There are some signs of growth in the luxury car market and he says it has benefited from the appearance of "powerful new entries at the bottom of the sector from Japan" as well as "moves up-market by other mass producers such as Mercedes."

Rolls-Royce, which makes more Bentleys than Rolls-Royces, delivered 230 cars in Britain last month (including 21 Continental R coupés worth £3.5m retail) against 138 last year. While the Brooklands - which replaces the Mulsanne S as well as the Eight - might not overtake the £118,865 Turbo R as the marque's best seller, I would put my money on it as runner-up.

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## BOOKS/AUTUMN FICTION

## Love and dissolution in a cooler climate

Anthony Curtis on the latest offering from an acclaimed author who is finding that the critical pendulum is starting to swing against her

**Y**OUNG people who want to write for a living no longer starve in garrets, but they can still have a pretty rough time until the money starts to roll in from the books and the TV scripts - if ever it does.

Take the case of Jeanette Winterson. In 1983 she was 24 and down from Oxford, with a first novel inside her bursting to get out. Its title was from a saying of Nell Gwynn's, *Oranges Are Not the Only Fruit*.

Winterson's circumstances while writing it were distinctly straitened, as she explains: "At that time, I was sharing two rooms and a hip bath with the actress Vicky Licorish. She had no money, I had no money. We could not afford the luxury of a separate whites wash and so were thankful of the fashion for coloured knickers, which allowed those garments most closely associated with our self-esteem not to be grey."

Just that one brief quotation makes it abundantly clear that we are dealing with a writer; someone whose printed words contain the magic that turns them into a voice talking to you, forcing you to continue reading the book.

Winterson's singular talent was first recognised in the publishing world by a woman editor at the newly formed Pandora Press, who accepted the novel but published it only in a paperback edition.

Winterson explains: "It went unnoticed, except in the most banal way, by most reviewers and started to sell at an alarming rate. Small bookshops and word of mouth were the foundations of my career."

The debutante novelist had two trump cards which she played skilfully. She was Lancashire working class and had been brought up in an eccentric denomination of the Christian faith, the Pentecostal Evangelists.

The latter fate - an off-beat spiritual upbringing - makes for a strenuous childhood but it does in recollection provide wonderful copy for a writer, as was shown by Edmund Gosse who was raised in the even sterner creed of the Plymouth Brethren. His account was called *Father and Son*. Winterson's might just as easily have been called "Mother and Daughter."

*Oranges* went on to win the Whitbread prize for a first novel and was made into an award-winning television drama.

Then in 1987 came *The Passion*, which won the John Llewellyn Rhys prize, and in 1989 *Serinity House* (both available at £9.95 in the attractive new hardback Bloomsbury Classics).

By then Winterson had, through her writing, become a totem for the alternative society. Its high priest across the water, Gore Vidal, gave her his accolade by describing her

as "the most interesting writer I have read in 20 years." Now, Winterson has come up with *Written on the Body*, involving a change of publisher from Bloomsbury to Cape and expectations from the fiction-reading public, whipped up by the publicists, at their highest. The novel has been heralded by a flurry of interest.

**WRITTEN ON THE BODY**  
by Jeanette Winterson  
Jonathan Cape £13.99, 190 pages

views, from which we gather that the hip bath has gone for good and the former female companion has also been replaced.

Meanwhile, the critical pendulum has started ominously to swing against Winterson. Reviews have begun to appear by those impatient to knock the book; some of them were not even prepared to wait for it to be published officially before

putting in the boot. Clearly, those reviewers who failed to praise Winterson when it was fashionable to do so are not going to let themselves be caught out a second time, now that it is becoming fashionable to denigrate her.

And yet, *Written on the Body* is no better and no worse than any of the previous novels. It has exactly the same intimacy of manner, the same quota of brilliant one-liners, the same digressive tendency leading the writer to indulge in whimsical reminiscence to the detriment of her plot; and it explores that same high plateau of passion in which the lover seems to be in love not so much with another person as with the condition of being in love. She (or maybe he - one assumes, rashly, the first-person narrator is a she although that is never actually stated) is determined to preserve this bliss for ever in all its white-hot incandescence.

In the novels after *Oranges*, the writer put on the mask of some humble historical figure - Napoleon's under-chef in the Grand Army, the assistant gardener to John Tradescant during the Civil War period - to demonstrate such passion as an element in a wider cataclysm. The vulnerability of the leading women characters was compensated for by giving them some grotesque physical abnormality from which they drew strength - huge girth, webbed feet (see Angela Carter's winged heroine, Fevvers, the model for this particular feminist strategy).

It is all here again but, this time, made contemporary. The male ogre who stands for the stultifying imprisonment of a conventional marriage is a Jewish doctor, a cancer specialist from north London's Stamford Hill. The heroine - the I - who finds an ultimate love object in his wife is a

translator. The affair, involving the ditching of a previous girlfriend, is described with dithyrambic Wintersonian intensity that is often quite hard to take.

Such a passion in Winterson's world is never transformed by the process of procreation, its natural and usual culmination, so what may alter or frustrate it? The answer, here, is the onset of cancer, portending the death of the love object.

Leukaemia afflicts the doctor's wife, who returns to him. That leads Winterson to some high definition writing on the ravings of the disease makes on the body, and also to an extended description of the agony it imposes on the mind of the sufferer's beloved partner. This is a very real human problem, one not exclusive to the experience of either gender. It is studied at the end of this short novel with poignant realism.

## A comic eye on decaying mortality

Max Loppert reviews a novel where humour masks a serious purpose

**C**HRISTOPHER Hope's latest novel, shortlisted this week for the 1992 Booker prize, renews and develops his singular comic vision. In it, he mixes a potent, comically intoxicating brew of the surreal, the farcical and the socially and politically satirical, exactly as he did in *A Separate Development*, *Kruger's Alp* and *The Hottentot Room*, those exuberant, free-spirited South African farces pivoted upon the madness of apartheid.

The difference, now, is that in *Serinity House* the scene has shifted to the outside world; this writer's precious gift for perceiving and exposing in so-called normality a crazily-

Lady Divina, a dilapidated blue-blood occasionally roused from senile torpor to rage against the holes in the ozone layer, and sundry other avatars of fast-advancing physical decrepitude.

The fun - so blackly hilarious because it is so lightly and deftly plotted - that Hope has with the desperation and self-absorption of decaying mortality, the nursing spectacle and medical paraphernalia that accompany it, and the patronising double-speak of those who minister to it, earn *Serinity House* a place alongside Muriel Spark's *Memento Mori* and Kingsley Amis's *Ending Up* in the literature of frankly observed old age.

The leading inmate, Max Montaloon, has come to the home guarding a grisly secret: the process of its unravelling will also drag *Serinity House* to its downfall. A walking repository of royalist sympathies and grammatical stringency (he takes Fowler to breakfast), as well as the knight-protector of a wardrobe-full of grotesque hidden treasure, he is gradually unmasked as Maximilian von Falkenberg, a Nazi scientist responsible for horrible experiments on concentration camp inmates and in mass-murder methodology in the final phase of the Holocaust.

Montaloon's daughter, living the life of an upper middle-class English rose, is married to a braying Tory MP who has already played a notable role in promoting the bill for the prosecution of elderly war criminals - a device which allows the comedy of discovery to be unfolded in uproarious broad strokes. But simultaneously with the investigation of Montaloon's shady past, a grander set of narrative parallels is being proposed and explored. Under its facade of do-goodery, the *Serinity House* administration has been quietly following a programme of unlicensed euthanasia (involving such modes of swift des-

**SERINITY HOUSE**  
by Christopher Hope  
Macmillan £14.99, 227 pages

pattered patchwork of violent obsession and zany ritual has now found expression on a wider canvas. (In *My Chocolate Redeemer* - Hope's fourth novel, and his first non-South African in subject matter - the attempt to do just this had proved curiously loose in subject-focus and uncertain in style; but as no such disappointments mar the manifold pleasures of its successor, perhaps that is to be understood as no more than a necessary dry run, and to be excused as such.)

Here, the comic targets are joyously unclouded and cleanly hit. The book's title is itself an impudent in-joke; for *Serinity House* is actually a down-at-heel north London "eventide refuge" run by a bizarre collection of wardens, matrons, therapists and doctors, all purveying a distinctive argot steeped in moral uplift and euphemistic slogan ("Leaving" for "dying", for instance).

The inmates include the Five Incontinent, with their trail of catkins and armoury of protective padding;



Authors for autumn (clockwise from top left): Hope, Ondaatje, Frayn and Winterson

patch as the Water Cure, another reliable euphemism).

After a while, one discerns that Hope's underlying purpose is to throw up for examination notions of people-disposal - whether of a society's inconveniently long-lasting old people or, in extremes, of its unwanted minorities - and to compare and contrast the situations in which such an option can ever come to be taken seriously.

As in his South African novels, so here again it is the crispness of wit, the keenness of observation, and the gravity-defying ability to link appar-

ent opposites that render the vision at once so bright and so alarming.

A key tool of linkage enters the story with the arrival from Florida - after all, one of the world's most populous senior-citizen habitats - of the illiterate, violent, video-addicted teenager Jack Robinson, brought to London to pursue the tenuous links that connect him with Max's Nazi past.

With typical Hope legerdemain, this Jack-in-the-Beanstalk sub-theme is teased out to its fulfilment, and the novel to its dizzying comic climax, one of the turrets of a fairy-tale castle at the Orlando Disneyland. Earlier,

one has occasionally been given cause to observe that the author's ear for American speech tones, and his eye for the nuances of American class distinction and social manners, are a degree less finely honed than their English equivalents.

But this is, anyhow, a small point to weigh in the balance of so rare and distinctive an achievement. *Serinity House* is a surreal farce rigorously logical according to its own terms of reference, scabrously enjoyable, and motivated by a sense of the "real world" that is always profoundly and exhilaratingly sane.

## Retreat from the flames of war

J.D.F. Jones finds power and beauty in an extraordinary book

**M**ICHAEL Ondaatje is a Sri Lankan poet, domiciled in Canada, who has now written the extraordinary novel we have been awaiting from him: *The English Patient*. This week, it was named on the Booker prize shortlist.

Over the past 10 years, without fanfare, Ondaatje has become something of a cult figure. There was a 1979 jazz novel called *Coming Through Slaughter*, and a 1983 memoir of his family, in particular of his drunken father, called *Running in the Family* (re-issued recently in Bloomsbury's elegant mini-hardback format, £9.99).

Then - leaving aside the poetry - there was a remarkable novel in 1987 called *In the Skin of a Lion* (available in Picador, £5.99). That book called on John Berger for a prefatory quotation: "Never again will a single story be told as though it were the only one." There is a clue to *The English Patient*.

It is interesting, but not essential, to know that this new work picks up several of the characters from *In the Skin of a Lion*. After the 1930s, Canada in the balance of so rare and distinctive an achievement. *Serinity House* is a surreal farce rigorously logical according to its own terms of reference, scabrously enjoyable, and motivated by a sense of the "real world" that is always profoundly and exhilaratingly sane.

The "English patient" is a charred, unidentifiable, dying man who, we gradually discover, had parachuted in flames into the North African desert where he was rescued by the Bedouin. He is now tended by Hana, the shell-shocked Canadian nurse who is making her farewell to arms;

and attended by the burglar-spy Caravaggio (for both, see the earlier novel) and a Sikh sapper, Kip, who spends his time on the very brink of death defusing the booby traps left in and around the villa by the departing Germans.

The four of them are, in their different ways, in retreat; they continue their trades - nursing, bomb defusing - but they have stepped back into a private world in which social constructs have lost meaning. Ondaatje gives us their various and interlocking stories, and tells them with an imaginative power that makes them haunting and unforgettable.

There is a central mystery about the "patient", and cumulatively and tentatively, we piece together a history of his pre-war Cairo life in the years when the Libyan desert was

**THE ENGLISH PATIENT**  
by Michael Ondaatje  
Bloomsbury £14.99, 303 pages

being explored for the first time and recorded in the dry prose of the Royal Geographic Society. The patient is not what he seems, and there is irony in it; he is not even English, but that is shown not to matter.

We are taken beneath the charred surface to see that he is in no way an enemy - we are beneath that level - but a human being who enjoys pain, love, affection, memory, morphine, while his burnt body is symbolic of the old universe which has ended in flames.

Caravaggio, too, has a dramatic biography of horror and has retreated to watch over Hana, just as she has dedicated herself to the patient. And Kip, engrossed in his terrifying trade, hovering on the outside, clearing the ground around the villa, is drawn slowly into the inner circle - until he bears of Hiroshima: "They would never have dropped such a bomb on a white nation."

The young man who has risked his life to defuse a thousand European bombs is undone. He, now, must quit the war.

Not for the first time, Ondaatje's imagination is seized by the plunge into the void (see the nun blown over the bridge in *In the Skin of a Lion*). Here, the image of the aviator descending in flames is repeated in Kip's final motorcycle crash into the river.

The patient "slips into the harness of the oil-wet parachute and pivots upside down, breaking free of glass, wind flinging his body back. Then his legs are free of everything, and he is in the air, bright, not knowing why he is bright until he realises he is on fire..."

None of this can convey the power of Ondaatje's writing, the beauty and excitement of his images, the elegance of his prose. These are early days, and Booker-guessing is a silly game, but I find it hard to see how they will be able to deny him this year's prize.

**MORE BOOK REVIEWS ARE ON PAGE XVIII**

Andrew Clements

## Down the greasy pole

**T**HE world of Malcolm Bradbury's disappointingly uneven novel is post-modern and deeply flawed. Its leading characters are shallow, deviant and cravenly ambitious. The Doctor Criminals of the title is a fêted east European polymath who jets around the international conference circuit leaving a trail of abandoned wives and lovers behind. It transpires, a good deal more than dirty bed-linen. On his heels is the appallingly chinless Francis Jay, striving to write a television profile of the great man and make his own mark.

The satire, if that is what it is, is heavy-handed. The philosopher-critic Criminals is an unlikely chimera of the likes of Steiner and Eco, while Jay is an amalgam of any number of upwardly mobile young journalists who flit eagerly from the "style" pages of one broadsheet newspaper to the next. The jokes are thinly scattered and the book's set-pieces spill across all the frontiers of new Europe of the 1990s. Fact and fiction are mingled hubbly; Susan Sontag and Martin Amis, unlikely soulmates, seem to pop up everywhere.

In the opening and closing pages, the humour is targeted much more carefully. The beginning, at a Booker prize dinner, is genuinely funny and its awful vignettes - with every publisher's promotion manager called Fiona and every presenter of the BBC's *Late Show* heavily pregnant - will strike chords with anyone

who has watched even five minutes of the ritual on TV. In between, though, the effect is much more diffuse; Bradbury sets up too many targets and falls short of all of them.

Perhaps his novel really is an honest attempt to get to grips with the chaos of post-cold war thought, the onward march of the European super-state, the sheer rapidity of TV culture. But it reads much

**DOCTOR CRIMINALE**  
by Malcolm Bradbury  
Secker & Warburg £14.99, 344 pages

**NOW YOU KNOW**  
by Michael Frayn  
Viking £14.99, 352 pages

more like a trawl through Bradbury's own fond memories of lavish academic freebies. Of course, there may be a profound post-modern irony buried somewhere in all the gush; if so, it sailed over my head. Michael Frayn's altogether tighter fable attempts far less and achieves far more. Its world is carefully circumscribed, almost claustrophobic,

its grip on characters relentless and revealing. Which does not necessarily make it all that convincing. Hilary, the studious young civil servant who throws over her career in the Home Office to work for a left-wing civil liberties organisation while having an affair with its curiously charismatic leader Terry, never comes fully to life. Her motivations always remain something of a mystery; everyone has another life outside the office, yet hers never quite coalesces, never fits the final piece into the jigsaw.

Yet, Frayn's ear for dialogue is unfailing as the story unfolds through the eyes and ears of all the staff of this murky outfit. He cuts from one voice to the next with consummate skill, catching every subtlety of language and tone; when the whole organisation begins to tear itself apart, the internal frictions, the tiny nigglings, are mapped precisely. In its own way it is a *tour de force*, even if the sum of all the parts is finally rather modest.

Andrew Clements

## Low life in high places

**LEPORELLO**  
by William Palmer  
Secker & Warburg £15.99, 339 pages

**A PHILOSOPHICAL INVESTIGATION**  
by Philip Kerr  
Chatto & Windus £14.99, 329 pages

**CITY OF GOLD**  
by Len Deighton  
Century £14.99, 323 pages

**HIGH COTTON**  
by Darryl Pinckney  
Faber £14.99, 309 pages

who thought criminals could be identified by shape of skull) can screen individuals for homicidal tendencies and isolate them accordingly.

But "Wittgenstein" has hacked into the system, calmly erasing his own details before taking the names of his peers and murdering them one by

one. It is an ambitious story, a slightly uneasy blend of futuristic technology and highbrow philosophy, in which readers will have to cope not only with Wittgenstein but also with George Steiner, Malraux, Marcuse, Merleau-Ponty, Sartre, and the rest of the 20th-century intellectual elite. It is also a satire of sorts, with TV presenter Anna Kreiser (Chrysler - Ford: geddit?) stripping naked on camera in return for a telephoned pledge of a million dollars for charity.

It is a little heavy in places, a good basic idea marred by ponderous execution and a less-than-perfect ear for dialogue. But it is also highly inventive, which is more than can be said for most books of the kind.

Len Deighton has finally given up on that awful wall in Berlin and, for his latest story, is falling back on an earlier generation of Germans. The *City of Gold* is Cairo just before Rome's arrival, a hotbed of corruption, intrigue and double-dealing, with a German spy at large somewhere and Rome informed in advance of the British army's every move.

Throw in Greek brothel-keepers, White Russian princes, beautiful English girls, Jewish gun-runners and deserters from both sides and you have the makings of a splendid mole-hunting novel, just the sort of thing Deighton is good at. He carries it off well enough, too, although one

must quarrel with him over the opening chapter in which a detective escorts a British soldier under arrest for murder to Cairo on the train.

The detective explains to his prisoner that he is going to Cairo to catch the German spy. He then has a heart attack and drops dead, leaving the prisoner to unlock his handcuffs and assume the detective's identity. A younger, hungrier Deighton would never have offered his readers anything so implausible, not even in jest.

Darryl Pinckney's *High Cotton* is billed as a novel but reads suspiciously like an autobiography - that of a young, middle-class black American of cultured background.

The narrator grows up in a white Indianapolis suburb and knows nothing of race riots, crack, ghettoes or any of the usual black American experience. He thinks of himself instead as one of the Also Chosen.

The narrator goes to Columbia university, travels in Europe, gets a variety of temporary jobs in New York. And all the time he is conscious of his colour, without ever being aggressive about it. When taxis refuse to stop for him and white female joggers keep their distance, he understands perfectly and feels only mildly resentful.

He writes more in sorrow than anger, putting his faith in the power of understatement rather than wearing his irritation on a very graceful, elegant, thought-provoking book. But, however hard one tries, it is still difficult to think of it as a novel.

Nicholas Best

**W**ILLIAM Palmer has come late to full-length fiction - he is getting on for 50, with only one previous novel under his belt - but late is better than never when he writes as well as he does in *Leporello*. As the title suggests, it is a re-working of the Don Giovanni story, seen through the eyes of his cowardly servant.

Ostensibly Leporello's autobiography, it is really just an excuse for a marvellous romp through the brothels and gaming houses of 18th century Europe. A beautifully-executed romp, too, beginning with Leporello's initiation into sex at a very early age and continuing via murder, mayhem and all sorts of skulduggery to employment with the Don and a new career as gentleman's gentleman and pander to the aristocracy.

Leporello takes to the work with enthusiasm, living the high life, enjoying the leavings from his master's table and sometimes also from his bed. What more could a simple country boy want?

It all ends in tears, as these things usually do, but not before a wonderful time has been had by all. The author writes in the spirit of *Tom Jones* and *Fanny Hill*, with a sure touch and a masterly grasp of his subject. Why he has taken so long to blossom into print is something of a puzzle; but if he can carry on as he has begun, the rest of us will have plenty of cracking good entertainment ahead.

No such starting problems for Philip Kerr, still young for a writer and already turning them out at the rate of one a year. His latest thriller, *A Phil-*

## Shortlist for the 1992 Booker prize

THE six novels shortlisted for the Booker prize are:  
■ *Black Dogs* by Ian McEwan (Jonathan Cape £13.99).  
■ *The Butcher's Boy* by Patrick McCabe (Picador £14.99).  
■ *Daughters Of The House* by

Michèle Roberts (Virago £14.99, not yet published).  
■ *The English Patient* by Michael Ondaatje (Bloomsbury £14.99).  
■ *Sacred Hunger* by Barry Unsworth (Hamish Hamilton

£15.99).  
■ *Serinity House* by Christopher Hope (Macmillan £14.99).  
The prize is worth £20,000 and the winner will be announced at a dinner in London on October 13.







## GARDENING AND PERSPECTIVES

## My Frenchman is a blackleg

Robin Lane Fox encounters a foreign bird in the bushes, and is deeply suspicious

**D**URING the past three months, I have been sharing the garden with a Frenchman. He appeared one early evening, took the measure of my terrace, and stood, looking lost, until he scented Heliotrope White Swan and was reminded of bedding-out in France.

In a flash, he vanished, down towards a nearby border from which he kept up a guttural incomprehensible harangue.

I am used to sharing the lawn with a hedgehog, the neighbour's collie and a low-slung mallee who has fixated on me since I first gave her some stale breadcrumbs. The trick never worked with women.

My Frenchman is another matter. *Alcestris rufa*, the red-legged partridge seems to be using my home, the Old Vicarage, as a safe house.

French partridges in English eyes have French habits. They have no idea how to be sporting and when Englishmen chase them out of com-

fields, they refuse to fly over guns but they run sideways instead.

They are grounded red-legs, black-legging English sport. They must believe that they are far too grand to talk to pheasants; otherwise, they would have shared the secret of life. In a garden, they are bewildering.

For a moment, my Frenchman looks as if he might, after all, be impressed by white cosmos daisies à la baguette and old-fashioned roses with superior French names. Then, with a scurry, he is off to the lilacs, moving fast, keeping low and eluding all attempts to corner him on the way past.

During the summer, certain French habits have become clearer.

Swimming pools are regrettably of no interest to them and so far as I can judge, they only come to life at 6pm. Nightly, when it is time for a Pernod, my Frenchman reappears on the terrace, calls for attention and then does his usual bolt when hard choices have to be made.

Safe among the Lavatera Barnsley, at first he maintained a long Gallic monologue. He began it at the time when the dons of Cambridge were wondering whether to deconstruct themselves and give an honorary degree to that enemy of meaning, Jacques Derrida, the French academic. I began to think that I had been chosen for canvassing. Right from the damask roses came nightly broadcasts which



destroyed all signifiers and referred to nothing except themselves. A bird in the bushes was worth 20 French texts in the hand.

By July, I knew I was wrong. It was no longer one Frenchman, preaching deconstruction. There was a Frenchman and two French henchpersons, drawn to the bushes by the sound which my Peter Scott bird-book describes rather kindly as the noise of a scythe whose blade is being whetted. Were they, perhaps, on a financial mission, minority shareholders fleeing from Prin-tempo or simply on a world-wide dodge, trying to escape from tax? According to my Peter Scott book, the French Partridge has the status of "resident." A change of domicile would be no help. Scott also remarks that its habits are "catholic." Here, perhaps, lay the answer: A catholic mission to old English

vicarages, conducted in twilight with two tame females in tow.

Perhaps it began as something of the sort, but by late July the three had become five. Scythe-whetting sounded stridently and I watched the manoeuvres with apprehension. While Derrida graced on among the lilacs, the four would fan out in twos, keeping low, hugging the ground, and obeying that truly French rule in a country which might mind: let the woman go first.

In English gardens, twilight during summer is supposed to be a hint of heaven. In mine, throughout August, it was a time for combat manoeuvres, conducted by ornithological walkie-talkies being held out of sight. I was brought up never to

shoot in the garden and never to shoot birds which refused to fly. When they trampled on the tobacco plants and roughed up the agapanthus, I did wonder if a catapult would kill a moving target.

Suddenly, they have gone. Or, rather, the four combat-trainees have vanished, leaving Derrida on the look-out for another captive audience in the lonely, deconstructed world. Whatever they have practised, they know how to execute: vicarage-trained agents are out there, somewhere, back on the run among their fellow Frenchmen.

I cannot help noticing that three days after they left, the French pulls for the Great Vote took a nasty lurch towards *Non*. Perhaps the ground-workers are now in position, risking nothing flightily but running the legs off the opposition. In the half-light, among the first autumn asters, I may be over-interpreting, but it is easy to hear a world like Mantricht in a sound like a scythe being sharpened along the blade.

## Believing in life everlasting

**T**HIS HAS been a remarkable year for everlasting flowers.

In part, this was because there was a very large trial of these in the Royal Horticultural Society gardens at Wisley, Surrey - a total of 274 species and varieties, many new to me. But I also found them much in evidence when I visited trials by some of the seed firms, including Unwins and Suttons. This, I was told, was because of increasing interest by home gardeners.

Flower arrangers already are seeking much greater variety. At Wisley, there were 10 varieties of nigella, the pretty, cornflower-like *Love-in-a-Mist* of which the old favourite, *Miss Jekyll* (now available in separate colours of blue, rose and white) is still the best. There was also the popular mix of colours sold as *Persian Jewels*.

I would have regarded all of these normally as mainly flowers for the border and for cutting fresh, not drying; but evidently they are very good for that, too. The same goes for the seven varieties of annual larkspur on show.

But the true everlastings, the plants that always have been grown primarily for drying because of their chaffy petals, were still on view most widely. There were 54 varieties of *bellis*, filling several beds and making a most impressive display. I particularly liked *Bright Bikini Mixed*, which is a fine mixture of most of the available colours, but I would award even higher marks to *Hot Bikini*, which is entirely dark red and a little shorter in height.

There was also a very pretty pale sulphur-yellow variety called *Frosted Sulphur*, which is in some of the best.

There was a big selection of other separate colours from white through lemon-yellow and orange to silvery rose and rose pink.

Until I saw this trial, *ammonium* had been no more than a

name to me. It turns out to be a rather odd-looking plant, around 2 ft high with winged stems and small yellow and white, daisy-type flowers.

At first sight I thought it rather gaunt, but it improved on acquaintance and is certainly a plant that will bring an unusual element into any flower arrangement. It is a perennial but usually is raised annually from seed and will survive mild winters outdoors. *Ammobium alatum* seems to be the only species, and *Grandiflorum* the best variety to grow.

I can understand the enthusiasm for *gomprena*, popularly known as the *Globe Ama-*

**Arthur Hellyer considers plants grown primarily for drying**

*ranth*. This is a bushy annual, up to 2 ft high with small, globe-shaped clusters of flowers which, at a short distance, look rather like those of clover. There are two species: *Gomprena Globosa*, which is a true annual, and *G. haageana*, which is a perennial grown almost invariably as an annual.

As plants for cut flowers, there does not seem a lot to choose between them. Colours include pink, red, apricot-orange, purple, violet and white, and most flower arrangers probably will be suited best by a mixture of all these shades. What gardeners usually call *statice* is, in fact, *limonium*. There were many varieties of these at Wisley, mainly forms of *limonium sinuatum* which is the commonest annual kind. What struck me was the number of unusual colours, especially in shades of pink.

One was called *Apricot*, which describes it fairly well, but another called *Peach* was

named less happily (still, breeders must be allowed some latitude in this respect). A third that I rate highly was called *Roseum Superbum* and there also was an excellent variety of the odd-looking *L. suworowii*, named *Pink Pokers*, which was a good, deep, rosy pink.

What I liked most, though, was a very small white-flowered plant called *L. sinense Confetti*. The second name does not seem to be recognised by any authority, but *Confetti* should be sufficient for identification and I have come across it in the Unwin seed trials. It is very free-flowering, and the effect is rather like that of a single-flowered perennial *gypsophila*.

There was also some confusion at Wisley in the naming of *amaranthus*, different species of which are known by gardeners as *Love Lies Bleeding* and *Prince's Feather*. Both types are popular for summer bedding, the first having long trails of catkin-like flowers, the second with erect branch spikes of flowers.

Once again, it is safe to bypass the second botanical names and go direct to the garden name since, by the internationally approved rules governing such matters, each of these can apply only to one distinct variety.

Using this shorthand form of naming, I have no doubt that the three best varieties of *Prince's Feather* at Wisley were *Oeschberg*, which is deep crimson, grows 4 ft high and makes a bushy plant; *Red Cathedral*, which is very much like *Oeschberg*; and *Bronze Standard*, an unusual colour described as grey-bronze.

The best *Love Lies Bleeding* was *Vividia*, with long trails of green flowers; but for those who lack room for such a large plant, there was *Green Thumb*, with erect 12in spikes of green flowers. I had not seen this before and thought it very distinctive.



Everlastingly English: village cricket is both flourishing and fading

## Is sunset still a golden sea, and is there honey still for tea?

**P**ILISTINES commenting on cricket reduce its subtleties to complexity. People commenting on village cricket, however much they like it, can see its existence from only one of two viewpoints.

Either village cricket today is just a romantic hangover from a golden age which will never return, or it is still going strong, as it always has done, on the village green, complete with dilapidated pavilion and bespectacled vicar.

The facts of village cricket life do the sport proud by being both subtle and simple. On the whole, village cricket is flourishing; but, strictly speaking, it is also fading. I went to Madingley, a village near Cambridge, to learn about its cricket at first hand and was richly rewarded.

The match was between Madingley and a pair of villages called Swaffham Prior and Swaffham Bulbeck which joined their two teams into one, Swaffham, about 10 years ago. "We'd have gone out of existence otherwise," their captain told me cheerfully.

He and a couple more Swaffham stalwarts declared themselves to be "all going over the hill together." They are in their early 40s, generous and liquid-loving in appearance.

Hardly any of the team live in the village but pretty well all of them originally came from it. The captain, like most of his troops, keeps cricket as his chief connection with the village and regards himself as a Swaffham man.

Many modern village teams are local rather than village sides, with players from nearby estates, industrial and factory settlements and from neighbouring villages unable to support an XI. Amalgamation is common, especially where villages have shrunk to shells of

their former selves. Where they have become weekend homes for people working in towns, they use their weekend villages for weekend cricket.

This means the romantic tradition of the blacksmith bowling hell for leather, the vicar leaving in mid-spin for vespers and the lord of the manor turning up when least wanted is becoming a more pragmatic tradition, bent on survival.

Madingley's scorer, Dennis Teversham, a man of few words but great thoughts, is a fund of detailed information on the club's history. For him, changing cricket populations

Madingley ground is gorgeous, snuggled in hills, surrounded by meadows, trees and undergrowth. It is overlooked by farms, the village church and the village pub. It boasts a surface which is a force of nature in favour of bowlers and - presumably - of those most familiar with its dangers.

It is a steeply tilted set of medieval ridges and furrows, the only consolation for batsmen being that these are parallel to the wicket, not across it to detonate bouncers.

A constable bowler made his way slowly up the hill and reached the crease just about

scarcest, with a sense of village cricket only as a rare and distant entertainment.

One of the nicest things about village cricket is that it is still an entertainment. Its gloriously informal atmosphere does not seem to have been stiffened by the advent of the regional leagues. These organise almost all village cricket now, making for more regular and more evenly-matched fixtures.

Madingley had lost their last game by one run to Fulbourn village. But they made a more substantial job of their defeat in the game we saw: Swaffham

the food recently was not unusual. The cows that wandered into the pavilion the evening before the game two weeks ago were more of a challenge. The lady with 20 years' Madingley tea service to her credit smiled grimly. "You never seen such a mess in your life." There is no trace of it now. She shook her head in tandem with her mother-in-law, a veteran of 30 years' tea service.

Their efforts were worth it. Every tea needs its pavilion and Madingley's is a paragon of cricketing initiative. It used to belong to Queen's College, but when Queen's built a new one in the early 1960s, Madingley Cricket Club's secretary, Ron Martin, zoomed in as from the covers and bought it for a snip.

He organised his team into a convoy of tractors and a trailer to move the dismantled bits and pieces to the Madingley ground. Every piece was numbered and on arrival they were fitted together like a jigsaw.

Madingley are a friendly lot and drink with anyone who wants to join them in the pub after the match. When I asked Dennis Teversham what was his golden age with his village cricket, he didn't escape into the past. The glories of the pavilion range from trimmed sandwiches and cups of tea, with paper napkins alongside, to the more unpredictable sort.

The huge six that redistributed the kitchen window into

**Teresa McLean spent a summer day watching cricket in Madingley. The scene looks as it did when Rupert Brooke wrote of the village in his poem *The Old Vicarage, Grantchester*. But the sport has changed subtly**

are nothing new.

He sat on the pavilion balcony with an extinct pipe and a panting dog, releasing little furies of facts during quiet patches of play. After 30 overs, with Swaffham 150 for two, I had learnt a bit. Two overs later, with Swaffham 158 for six, Madingley's morale had risen and scoring was busy. I had time to reflect on what I had been told.

Madingley cricket club was founded in 1913, died in the Great War, was re-founded in 1933, died in the second world war, was re-founded in conjunction with nearby Dry Drayton village, then re-founded yet again, on its own, in 1955.

Swaffham's green-capped top scorer was caught by Teversham's son for 103 and Teversham Sur neared a smile. Forty years of playing and 20 years of scoring have taught him that it is better to be philosophical than to be pleased.

The game bore him out. The fit enough to deliver the ball, mildly. A thin young bowler tore down the hill and bowled furiously, then followed through with unstoppable momentum, almost as fast as the ball.

He was one of three generations of Tevershams involved in the match. In Madingley at least, village cricket's time-honoured feature of family dynasties is in good form. The youngest, fastest, 14-year-old Teversham was playing alongside his brother and his father, the captain, while his grandfather (71) scored and his mother and grandmother did the tea.

The teams are a surprisingly fertile age for village cricketers, thanks to determined programmes of encouragement from organisations such as the NCA (National Cricket Association) and the Lord's Taverners. Parents from 40 upwards rejoice in their role as the bastions of experience. Often it is 20 and 30-year-olds who are the

As They Say in Europe  
All eyes on the Nazis

**T**HERE IS a rule now. If you cannot write yet again about the horrors of Yugoslavia, or indulge in yet more catatonic speculation about "what if the French vote No," you turn to neo-Nazi attacks on refugees.

Events in eastern Germany have been a godsend. *Corriere della Sera* of Milan can run off the typical editorial: "Germany finds itself in grip of the Nazis. There grows fear of a people's uprising against the 'human flood' from eastern Europe. Neo-Nazi violence spreads throughout the eastern Länder like an oil slick: the Germans have lost all feeling of national solidarity..."

In Poland, the considered contempt for east Germans of last week has turned into something more apocalyptic. The editor of *Gazeta Wyborcza* is the old Solidarity activist Adam Michnik, who contributed the following personal comment: "What is happening in Germany must be understood as an alarm bell."

"Germany - a stable and democratic state - has become a region of the explosion of hate. One-time nationalistic fringe groups are now starting to alter the spiritual and political landscape of the state. The moment of truth for German democracy nears..."

As usual, the story seems less sensational the nearer you are to it. Thus *Tagesspiegel* of Berlin, after a particularly awful night of anti-refugee mayhem a few miles away, ran as its front page lead a story about the choice of architect to redesign the Potsdamer Platz.

If alarm bells are ringing in Germany, it is over the state of public finances and the fragility of the government rather than the ghosts of the past. People are getting worried about the qualities of Chancellor Kohl, who seems to be able to tackle almost anything except problems.

And if the Germans have got things the wrong way round, it could be the result of their peculiar tendency to focus on the ramifications of an issue, rather than the issue itself, in the belief that they are really getting to grips with it.

A few years ago, a Munich weekly ran a cartoon which said it all: a group of Germans, near the pearly gates, were passing a signpost which pointed left to Heaven and right to Lecture on Heaven. The Germans were going to the lecture.

It could be that west Germans still do not care greatly about what goes on in the east. It is difficult to know how surprised the readers of the *Frankfurter Allgemeine Zeitung* were last week when they read a page of letters from children in the east.

From Plauen, Sylvio Flügel wrote: "Suddenly, everything is quite different - in Germany, in the world, in me. My name is Sylvio and I am in the third form. Our teacher has told us much about united Germany."

"I am specially happy about the many beautiful toys that there are now. I have many wishes and dreams. But unfortunately they cannot be fulfilled, for both my parents have no work any more and

most toys are very dear. I can't really understand why mummy and daddy have no work."

Another small boy wrote to say how nice it was to see so much of his mother when she lost her job - but then father lost his, too. The letter continued: "Grandpa is very dear to us, but he swears at everything. First he swore at the GDR (the former East Germany), now he swears at the new government."

"Grandma is always calling him a whining fool. She says what's best about unity is the jam and the coffee. I don't know if things are better now or not."

On the same day, the *Süddeutsche Zeitung* carried an interview which started: "When the (east German) pop star Inka Bause thinks back to her first confrontation with the western music business, the western music business, she immediately recalls that evening in Munich."

"It was a meeting with enormously important music industry people and such types, says Inka, 'make me nervous, anyway.' They sat in an expensive restaurant, spoke about recording contracts, charts, competition strategy."

"As the main course was ordered, a music executive turned jovially to the young East Berliner and asked: 'Now, little one, what's it like to get something nice to eat for once?'"

**James Morgan**

James Morgan is diplomatic correspondent of the BBC World Service.

## Weekend FT

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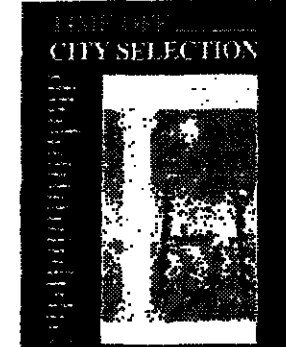
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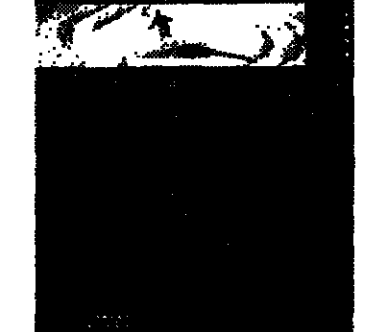
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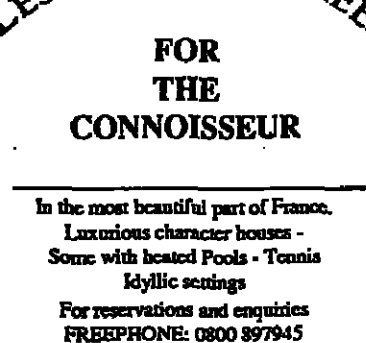
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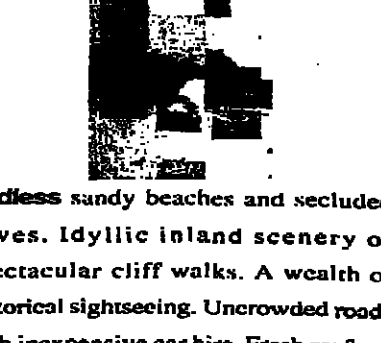
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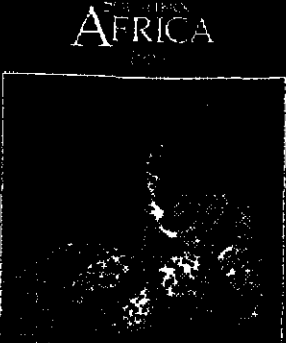
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## TRAVEL

## Japan's Alps — trekking among the gods

*Christopher McCooley enjoys hot outdoor baths, staying in mountain huts and watching the sun rise while hiking in Japan's North Alps*

**I** WAS at 5,000ft and taking a bath with a stranger.

"Are you American?" he asked.

"No, I'm from England," I said, sounding like a school master.

"Ah, yes," he said, bobbing his head vigorously just above water. "My name is Taniguchi. I am 40 years old."

Many conversations start like this in Japan even when you are in hot water, outdoors and higher than Ben Nevis. I was half-way into a 10-day walking tour through the North Alps of Japan and was enjoying the soak after a hard day, I was following in the footsteps of an English vicar who had been that way in the summer of 1894.

The Rev Walter Weston had gone to Japan in 1888 as a missionary. He ended up spending three extended periods in the country and wrote four books about Japan, including the classic *Mountaineering and Exploration in the Japanese Alps*.

He is best remembered for introducing the notion of recreational mountaineering to Japan and opening local eyes to the beauty of Japan's mountains — a noteworthy thing for a foreigner to have done, particularly as he looked at the beauties of the mountains with only one eye. For all of his long life — he died at the age of 79 in 1940, just before the outbreak of the Pacific War — Weston was blind in one eye.

I asked Taniguchi can it be known about Weston. "Of course," he said without hesitation. "Father of mountaineering. There is memorial in Kamikochi."

Kamikochi, twinned with Grindelwald in Switzerland, was where I was heading, having started, like Weston, at the spa of Renge Onsen in the north of the mountain range that runs north-south through the middle of the main island of Honshu.

Cars and buses can reach Renge, and the trail I was going to follow started in front of the primitive collection of wooden huts and cabins that housed the spa's indoor baths and sleeping accommodation. With my water bottle full of cold, sweet black tea, I set off after a breakfast of rice, dried seaweed, raw egg, pickles and miso soup. It is that is not you idea of how to start a day in the mountains then you will have to carry your own instant coffee and porridge and a small stove on which to prepare them.

Japan's mountains are steep and in the hiking season (May to October) it can get warm in the day-time. But the cool of

the mountains is a relief from the sauna-hot cities. You sweat a lot, so I was grateful for a neck-towel and a wide-brimmed hat and a map that showed the trail and indicated where drinking water was available.

There is luxuriant vegetation up to about 6,500ft. Above 8,000ft bare rock is usually broken into slabs and chunks by freezing and thawing and other weathering.

The first peak I scaled was Shirouma, the white horse mountain. It was pretty crowded on top as the mountain is accessible by cable car from Hakuba, one of the most popular ski resorts in Japan. Almost everyone I met in the mountains greeted me with "Konichiwa!" ("Hello!") or "Gambatte!" ("Keep going!").

A group of students asked me to join them for a "memorial" photograph on the 9,620ft summit. It was the first of many such requests during my hike. Snap-happy Japanese will urge you to say "Cheese!" and ask you to "pose," which usually means raising two fingers in a Churchillian gesture.

The trails are usually well marked, and there are plenty of huts where you can get food and shelter for the night; a mattress and duvet are supplied but it is a good idea to take a sheet-style sleeping bag. Accommodation and two meals costs about £28. There are also camp-sites that charge about £2 a night.

The second day's hike was the hardest. I dropped down more than 6,500ft from the exposed alpine peaks around Shirouma into a narrow valley verdant with maple, oak, beech, willow and birch. The whole valley seemed to hum and buzz with insect life in contrast to the silence of the peaks above.

The map said there was a hot spring in the valley — the symbol looks like an

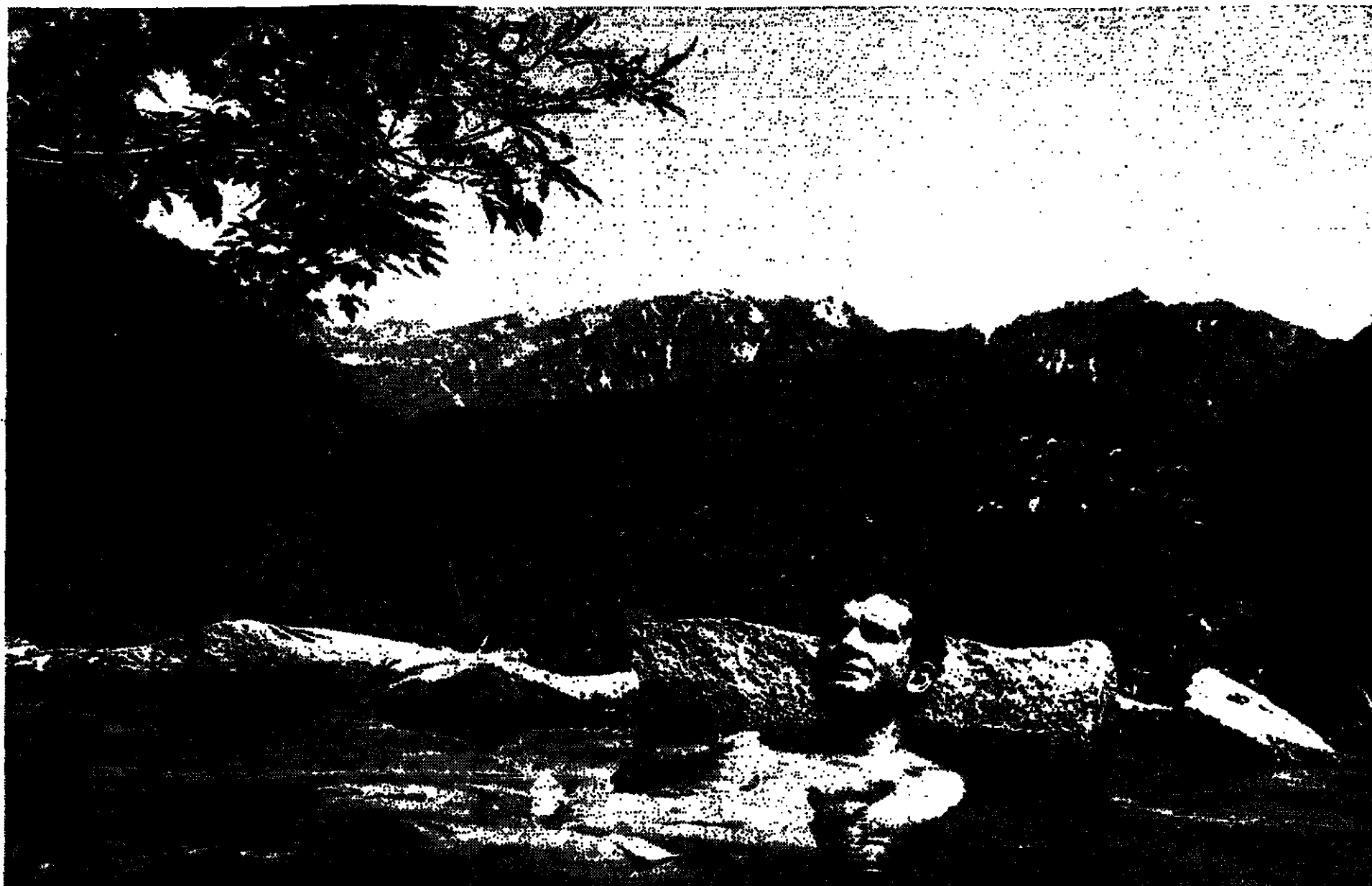
upside-down jellyfish, steam rising from a pool. Beside the mountain hut at Babadani were some hot baths, but I walked a bit further up the valley to where I had seen steam rising from the river bank.

I stripped off and felt my way into the river, finding just the right place so that my buttocks did not boil and my toes were not tortured by the ice-cold melt-water. White-rumped swallows swooshed for one last snack before roost time and a dipper and a grey wagtail bobbed and bowed

tally into the mountain, following a silver vein.

From the mine it was quite a pull to reach the outdoor spring where I met Taniguchi san. The place was Senninryu — "hermit's hot water" — named after an ascetic who lived in a cave there five centuries ago.

Crossing a snow field, I thought I had encountered the hermit himself: a man wearing a traditional bamboo strip hat and a kimono of black cotton. There was a samurai's sword stuck in his belt. On his feet



Christopher McCooley relaxing in a hot spring at Senninryu, in Japan's North Alps. "Mountains exert an irresistible power on the national psyche"

were tabi (socks with the big toe separated from the rest) and straw sandals called waraji. The only non-Edo era item was a pair of red Y-fronts, visible because he had hitched up his kimono to facilitate walking.

He was really a salary man in disguise. He told me he hiked in the alps dressed like this "to refresh his Japanese spirit and Japanese heart."

The good reverend would have nodded sagely if he had encountered such a hiker — Weston used to wear his hiked-up waraji under his hob-nailed boots to improve his grip when clambering over wet and slippery rock.

In a day I reached Tateyama, just under 10,000ft; next to it is Oyama, one of the most sacred peaks in Japan. It was over-run by herds of day-trippers who had been coached to within striking distance of the summit. There were toddlers and teenagers wearing T-shirts saying "Records are made to be broken but TDK CDs go on for ever" and, more enigmatically, "Regard me sexual eyes." Their parents and grandparents were crowding into the shrine atop the peak to be blessed by the

resident priest who was waving a sacred wand over them.

In July and August, the peak summer season, no less than 10,000 people visit this shrine daily. It does a jangling trade, for it seems that every one of those 10,000 descends to the bus terminal with a charm that has a bell attached to it.

The tens of thousands who flock to such shrines may not love the mountains in the same way as the climbers and hikers. But the fact that they risk sprained ankles and sweat-stained designer clothes is testimony to the power that mountains still exert on the Japanese. This goes back to the time (before Weston arrived) when they considered the mountains that cover two-thirds of their country to be the domain of the gods.

The high spot of my hike, at 10,430ft, was Yagatake, which Weston referred to as the Matterhorn of the East. I scrambled to the summit to watch the sunset and, 11 hours later, the sunrise. Away to the south-east, Fuji rose out of the clouds.

All that remained for me was

to drop down to the valley to pay my respects at the Weston memorial — a simple plaque on a shady rock with the bespectacled and dog-collared vicar looking kindly out at the mountains he loved.

■ Details about huts and trails can be obtained from Kita Alps Kyutei Tanotosake, Maibanda, Kotsunkaikan-nai, 2-13 Yurakucho, Chiyoda-ku,

Tokyo, tel: 03-3211-1023.

In addition, the Japan National Tourist Organisation at 6-6 Yurakucho 1-Chome, Tokyo, tel: 03-3502-1461, produces pamphlets and short mountain hiking itineraries in English for the Kamikochi area.

Any Japan Travel Bureau can make reservations for you in the mountain huts, as well

as hotels and inns. Above the treeline you will never be turned away from a mountain hut if you do not have a reservation, but you may have to sleep on the floor.

Make sure you have appropriate equipment and clothing for mountain hiking, particularly if you plan to climb out of the valleys and up to the peaks.

## By the light of Mrs Full Moon

*David Pilling is conducted through southern India by a most unusual guide*

**A** 17-year-old girl called Indumathi from Madras was about to change her name as well as her address.

As is the way for most Indian women, she was in accordance with the wishes of her parents — to marry a man she had barely met and to live in a city, Bangalore, she did not know.

The marriage, as it turned out, proved a happy one. True love, Indumathi explained, grows from mutual understanding and is not something experienced by the likes of starry-eyed teenagers.

There had, she acknowledged, been a hitch. For all the diligent preparations undertaken by her parents, for all the interviews with families of prospective grooms, for all the consultations with astrologers, gossiping with neighbours and discussions with marriage brokers, one detail had been overlooked.

Indumathi, which means "Full Moon", was to be married to a Mr Chandar Shekar, or "Mr Crescent Moon." She was to become irrevocably wedded to the name Mrs Full Moon Crescent Moon.

Nearly 30 years later, Indumathi was still not entirely reconciled with her bilinear name, which even now causes her to wince and chuckle deeply. The moon, however, has smiled on her. Since her marriage she had become a successful tour guide based in Bangalore and had taken many well-known people around the country, including the late film producer Sir David Lean, during the making of *A Passage*

to India.

Mrs Full Moon Crescent Moon was to guide our Bales group through southern India, a region often overlooked by the hurried traveller. Our tour co-existed on the Madras roads, India's fourth largest city and the place of Indumathi's birth.

Madras, where the British East India Company got its first clewhold on the subcontinent, is reputedly more sedate than the cities of the north, but there was little evidence of this in the mayhem of its streets.

Ten centuries of transport co-exist on the Madras roads, a burden that often proves too much judging by the twisted hulks of lorries littering the wayside. Each stretch of pockmarked tarmac carries swaying bullock carts as well as Morris Oxfords, creaking rickshaws as well as thundering buses, zipping motor scooters as well as human ants meandering under the weight of overlarge bundles.

Navigation is not a visual affair. Most vehicles have dispensed with mirrors, which are seen as unnecessary appendages, rather as humans have dispensed with their tails. Instead, motorists manoeuvre by reference to sound, slowing and swerving as dictated by the cacophony of horns, bells and hooters. A hint of regulation is provided courtesy of the cream coloured cows — the so-called "break inspectors" — which wander nonchalantly across even the busiest intersection.

At night, the only visual aids are the trees flanking the roadside, painted with white rings to reflect headlights beams. Mrs Full Moon Crescent Moon was

amused by my alarm at the traffic and crowds. She thought it funny to read in the British press of a "large crowd" — say 30,000 — attending a sporting event.

She could produce this many people by ploughing her car into the back of a rickshaw. That is how many onlookers would instantly gather around. I asked her not to demonstrate.

Next stop on the Full Moon

tour was Bangalore, Indumathi's new home and, by all accounts, India's pleasantest accommodation. The airport welcomed arrivals to the "garden city," a booming centre for high technology, cosmopolitan culture and Indian yuppies. Bangalore has boulevards, working traffic lights, passably uncrowded streets and even a botanical garden. It also has pubs.

That night in Pub World, a plasticity Wild West theme bar, Bangalore's swinging set were seated on mock logs, pressing

their often substantial bellies against the bar-top. They drank over-priced bottles of beer and smoked long cigarettes. There were mixed couples, rare in India, and western music, rarer still.

The PA system struck up with *Bachelor Boy* by Cliff Richard. A middle-aged gentleman with a drooping moustache and a turmeric-stained kisser he shouted out the lyrics to his male companion in animated fashion. In a Peter Sellers-type rasp he enunciated the words "Happ-se to be a bachelor boy until my dying day," winking and breaking into tremendous laughter at the wit of the lyrics.

Such salacious behaviour was not in evidence in Kerala, the first state in the world freely to elect a communist government and our last stop on the Full Moon itinerary. Kerala has the highest literacy rate in India, the most equitable distribution of land, the highest suicide rate and the greatest incidence of death from marauding elephants.

The south-western state, communism notwithstanding, adheres to the system of arranged marriages predominant in the rest of the country. Engels would not have approved, but Mr N B Manju, an effusive and good-natured Kerala, saw no drawbacks to a system that had delivered him a skinny wife and a fat dowry.

He explained how things worked in Cochin, Kerala's chief port. Parents with a daughter of marriageable age, he said, employ the services of a marriage broker whom they furnish with information on

the girl's status, caste, job, horoscope, appearance and size of dowry on offer.

The broker matches these details with similar data relating to eligible young men. A meeting between boy and girl is arranged. Parents, uncles, aunts, nephews, friends, grandparents and assorted human flotsam gather for the five-minute interview.

Manju noted that such visits are so perfunctory that a well-organised family can fit in three or four sessions in an afternoon. A decision is then made — by the young man and his parents — as to which courtship to pursue. The girl, too, Manju assured me, could call a halt to events.

More romantic visits ensue, with perhaps only 10 relatives in attendance. Eventually the families agree on marriage arrangements, but not before employing the services of an astrologer to evaluate the match. A thumbs-down from him can put the kibosh on everything. If you were really keen on the girl, though, most astrologers had their price.

It is hard to imagine, during the to-ing and fro-ing of such a saga, how the parents of Indumathi could have neglected to inquire about the surname of the prospective groom.

■ David Pilling travelled c/o Bales Tours (Bales House, Junction Road, Dorking, Surrey, RH4 3BB; reservation, tel: 0306-685991). Accommodation was with Taj Hotels. Bales organises 10-day escorted tours of southern India starting at £1,195. The 18-day escorted tour (from £1,795) includes stops in Madras, Bangalore and Cochin.



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## RECORDS

Pop  
Scream's tops

**T**HE RECORD of the year is *Screamadelica* by the Scottish band Primal Scream. That's official. It was chosen by experts from a short list of 100 albums, in the record industry's attempt to match the Booker Prize with a serious, incorruptible competition to find the best album of new music released in the UK and Ireland in the past year.

Sponsored by Mercury — the communications company not the dead Freddie — the idea has taken a firm hold in year one. The 10 short-listed albums were wonderfully eclectic, ranging from the multi-million selling contributions by such big guns as U2 and Simply Red (who would have regarded the £30,000 prize as small change) to the intense spiritualism of John Tavener's *The Protecting Veil* (Virgin Records), a cello piece inspired by a miracle of the Greek Orthodox Church, and the soulful jazz of the South African, London based, pianist, Bheki Mseleku (World Classics) on the album *Celebration*. If the Mercury prize had no other plus than making these two albums available in High Street stores, it would have justified its existence.

Primal Scream was the obvious choice to lift the award. Its music manages to be both trendy and reassuring. The tracks range from the sprightly, uplifting, melodic "Movin' on up", a natural hit single, to the right-on, ethnicity of "Slip inside this house"; to the even more black "Don't fight it, feel it"; to a nod towards psychedelia in "Higher than the sun", and so on.

The entire Mercury shortlist sampler of 10 representative tracks, a wonderful bargain at £3.99, offers a crash course in contemporary music, and Primal Scream condenses it all into one album. It is all very clever; very accessible; beautifully produced; and enjoyably fronted by singer Bob Gillespie. No new worlds are explored, indeed there is more than a hint of Simply Red in the slower numbers, but 1992 is neatly captured. The judges plumped for a "no risks" winner, for a band which could still use the prize money.

Apparently, Primal Scream, saw off strong challenges from U2, John Tavener, Bheki and The Young Disciples, whose genuinely black, funky soul, pulsatingly danceable album *Road to Freedom* (Talkin' Loud) would have been a

bolder choice for the winner. Here again, the debt is palpably owed to American Soul, but there is a commitment, especially on tracks like "Move on", which makes this album particularly enjoyable.

Apart from Simply Red, the other shortlisted albums were *Rising Above Badlam* (Oval) by the idiosyncratic Jah Wobble, which takes you smoothly to Africa and beyond; *Rox Rose Alpha* (Heavenly) by the dance band favourites Saint Etienne; *Honey's Dead* (Warner) by the American-influenced Jesus and Mary Chain; and one completely oddball outsider Barry Adamson, whose *Soul Murder* (Mute) takes a Laurie Anderson approach, with the man talking mysteriously over late night urban jazz music. Of these my fancy would have been Jesus and Mary Chain, if only for the deathly vocals of brothers Jim and William Reid and the drained out punk feel, a cross between Lou Reed and The Pixies.

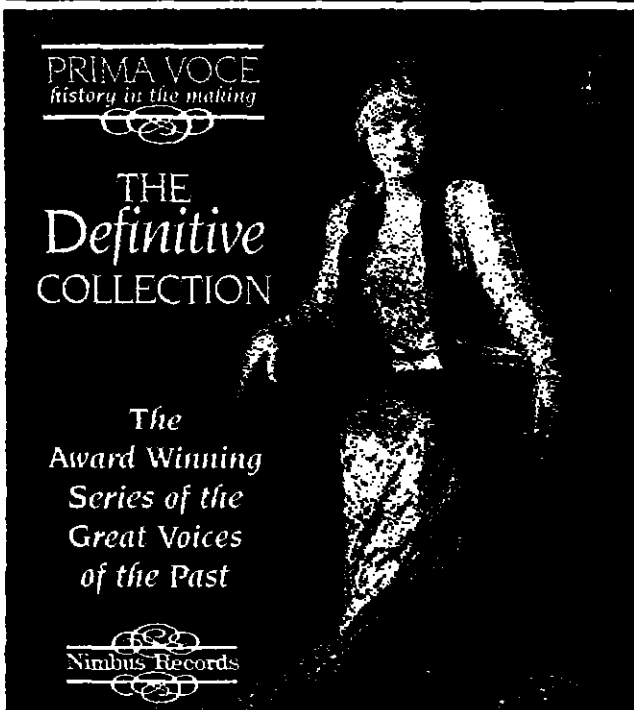
But if you discount Primal Scream as the marketable choice for the winner, what of the two also-runs? *The Protecting Veil* is a 45-minute challenge for cellist Steven Isserlis, whose continuous, austere solo seeks to portray the transcendental power of the Virgin Mary.

Moving through various stages of her earthly and heavenly life, the cello maintains a haunting lyrical strain, seeing off interruptions from the strings. There is no development towards a finale, but the evocation of a mood is beautifully sustained. It is instrumental plainness as far removed from Radio One as Purcell is from Prince.

There is something equally hypnotic about Bheki's *Celebration*. Intense, introspective, building up from simple melodies into finely textured jazz rhythms, Mseleku is well served by such British musicians as Courtney Pine on soprano sax and Eddie Parker on flute, but the inner force comes from the American bass and drums team of Michael Bowie and "Smitty" Smith. There is nothing new here, but it is very classy stuff.

The judges have selected probably the best two new albums of contemporary classical music and jazz for praise. It would have been perverse to make either the winner of a popular competition.

Antony Thornecroft



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**P**IERRE BOULEZ relinquished his post as director of IRCAM in Paris at the end of last year to concentrate on his composing and conducting. In the long term, one may hope that there will be much more of the former than the latter, but at any rate the first fruits of his return to the concert hall and recording studio are now appearing. The two releases for Deutsche Grammophon mark the start of what is promised as a long-term and substantial association, during which he will re-record much of his repertoire.

In the 1960s, Boulez began to put on record for CBS the 20th-century works with which he had made his reputation as a conductor. Those performances of Debussy, Stravinsky, Bartók and the Second Viennese School set new standards of clarity and structural integrity which have influenced interpreters ever since.

As Boulez has seemed to mellow in the past two decades, he has added more flexibility and natural expression to his conducting. Anyone who heard his performances of *Pelléas et Mélisande* for Welsh National Opera earlier this year will have heard how much warmth he can now bring to that score, without sacrificing any of his rigour or lucidity.

The new discs of Debussy and Stravinsky with the Cleveland Orchestra offer the first evidence of this new breadth. The opening of "Gigues" in the orchestral *Images* is magically done, with string textures exactly graded, woodwind figures etched sharp against them and each paragraph individually shaped. It is a ravishing performance: the triptych of "Tibéria" sparkles with rhythmic life. "Rondes de printemps" presents a kaleidoscope of changing orchestral colours. But the *Prélude à l'après-midi d'un faune* is disappointing — stiffly jointed, unresponsive, rather conventional in its articulation and unconvincing in a way that even Boulez's 1960s version managed to avoid.

The same mixture of the routine and the exceptional in his playing of the Stravinsky disc, *Petrushka* opens tepidly indeed, with only the occasional flashes of rhythmic assertiveness to give a hint of his conductor

## Mixture of the routine and the very fine

Andrew Clements listens to recordings of 20th century music by Boulez and others

Debussy: *Images*, *Prélude à l'après-midi d'un faune*, *Printemps*. Cleveland Orchestra/Boulez. Deutsche Grammophon 435 766-2.  
Stravinsky: *Petrushka*, *Le Sacre du printemps*. Cleveland Orchestra/Boulez. Deutsche Grammophon 435 768-2.  
Stravinsky: *Le Rossignol*. Bryn-Julson, Palmer, Laurence, George, Caley, Howlett, Tomlinson, BBC Singers & Symphony Orchestra/Boulez. Erato 2292-45827-2.  
Stravinsky: *Le Sacre du printemps*, *Petrushka*, *Le Rossignol*. Fournet, Rolf-Johnson, Perséphone. London Philharmonic/Nagano. VCK 7 91511-2 (two CDs).

and though it gains gradually in vitality, there is something over-civilised about it all, despite the responsiveness and the drive. *Le Sacre*, though, does deliver the goods in the end. Boulez is an old hand at delineating its instrumental strands, precisely pointing its accents. He still makes the second half of the work more monumental and remorseless than any other conductor, and no one drives the final pages home with such savagery.

There are no weaknesses either in his new account of *The Nightingale*, the *conte lyrique* in three short acts, which Stravinsky began in 1908 but did not finish until 1913, the year of

*Le Sacre*. It is a work Boulez has conducted in London several times but never before on record and he offers here a perfect balance between analytical exactitude and fairy-tale enchantment, relishing each of its virtuosic orchestral effects (derived in equal measure from Rimsky and Debussy) and bringing every episode to vivid life. The text is sung in the original Russian (though the accompanying tri-lingual booklet never reveals the fact) and the cast is led by Phyllis Bryn-Julson's limpid, ecstatic Nightingale.

For Stravinsky from a conductor whose generation must have profited enormously from Boulez's example, Virgin Classics' bargain set is thoroughly recommendable too. For the cost of a single full-price CD, one gets a thoroughly worthwhile performance of *Le Sacre*, couched in Kent Nagano's characteristically lithe, perceptive terms and most efficiently played by the LPO, and an altogether outstanding account of the melodrama *Petrushka*, which seems more and more to be one of the supreme masterpieces of Stravinsky's neoclassical period.

In terms of recording and performance, this is by a long way the best version in the catalogue, graced by Anthony Rolfe-Johnson's beautifully polished singing, and Anne Fournet's impassioned narration; the playing of the LPO and of its solo woodwind especially is exemplary.

Esa-Pekka Salonen's Stravinsky series for Sony has contained some



Pierre Boulez: plans to concentrate on composing and conducting

fine performances, though his *Oedipus rex* is not one of the best instalments. Vinson Cole's *Oedipus* is rather tiresome and Simon Estes's Creon laboured, but is well worth hearing for Anne-Sophie von Otter's meltingly seductive Jocasta, the collector's curiosity of Nicola Gedda's Shepherd (a bit effortful in all hon-

esty) and Patrice Chéreau's exemplary narration, perfectly judged and unaffected.

Salonen is at his most disciplined in Stravinsky, and the playing of the Swedish orchestra and chorus are kept on a tight rein. Somehow, though, the remorseless terror of the piece just eludes him.

Opera  
Massenet reappraised

reflect back on the "infinite variety" of *Cleopatra* herself, and does so with effortless directness. The fallibilities of lovers, tenderly and uncensoriously described (especially the female ones), was always the central concern of Massenet's artistic vision. Here, in the final product of that vision, his arts of description are distilled to a fine essence.

Part of the secret of Massenet's final-period economy lay in his intimate understanding of fine singers, in his knowledge of all the ways they could be counted on to "make the difference" to the drama — a plain vocal line becomes a bewitching one when fragrantly uttered. The Saint-Etienne recording does not command singers of quite that calibre: but Kathryn Harries in the title role, at her most liquidly and dully appealing (because not taxed by strenuous high notes), possesses a proper measure of distinction.

For all that, this is a highly

Massenet: *Cleopâtre*. Kathryn Harries, Didier Henry, Danielle Streiff, Jean-Luc Maurette etc./Massenet Festival Chorus, Saint-Etienne. Orch. Patrick Fournillier. Koch Schwann 314 064 K3 (two CDs).  
Debussy: *Pelléas et Mélisande*. François Le Roux, Maria Ewing, José van Dam, Jean-Philippe Courtis, Christa Ludwig etc./Vienna Philharmonic, Vienna State Opera Chorus/Claudio Abbado. DG 435 344-2 (two CDs).  
Strauss: *Die Frau ohne Schatten*. Julia Varady, Hildegard Behrens, Reinhold Runkel, José van Dam, Plácido Domingo etc./Vienna Philharmonic, Vienna State Opera Chorus/Georg Solti. Decca 436 243-2 (three CDs).

enjoyable performance, briskly kept on the move, a "real" rather than a studio-bound experience. It's curious to move from it to the latest *Pelléas* — DG's all-star, studio-

glossy version — not only because one notes with heightened awareness Massenet's influence on Debussy, but also because the over-studied, over-calculated atmosphere created by Abbado and the Vienna Philharmonic seems the opposite of Saint-Etienne's down-to-earthness.

Beauty of sonority, which the DG offers in abundance, is no bad thing in this opera, but when dramatic muscle-power goes to missing beneath its surface, it can appear a strangely qualified virtue. In addition, François Le Roux and Maria Ewing in the title roles give the impression that Debussy and Maeterlinck have pitted a pair of youthful sophisticates, mannered to the last degree, against a castle-full of sincere older people, led by José van Dam's magnificently unforced Golaud and Jean-Philippe Courtis's quietly eloquent Arkel.

The extreme refinement of the reading is not to be

scorned; but the greatness of the opera is somehow diminished thereby.

Van Dam is the Barak on Decca's new *Frau ohne Schatten* — uncut, long-awaited, high-profile in its cast, and disappointingly flawed. It is not without its great points. Julia Varady glows with inimitable and glorious lustre in the monumental title role; Van Dam sings nobly, though the character's bluff warmth does not come easily to this most fastidious of bass-baritones; and Hildegard Behrens throws her all — searing passion, pinpoint high notes and middle-register wobbles included — into the dyer's wife. The many smaller vocal elements in this vast, rich, wildly overblown fantasy are nicely touched in; the Vienna Philharmonic play with native authority.

But Solti, who writes in the programme book of a lifelong devotion to the work, is still only half a *Frau* conductor — the craggly monumental half, not the candidly diatonic, chorale-like, which he nags forward impatiently. (The recording was made over a period of two-and-a-half years, which may account for its lack of "consecutive" line.) And the casting of Domingo as the Emperor proves an embarrassing failure: he hushes up the text, breaks up the phrases, and sounds worryingly uneasy with the tessitura.

Max Loppert

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## ARTS

## Parsley, sage, rosemary and thyme

Patricia Morison considers the history of flowers on film

There is almost no limit to the purposes for which photographers have pointed their cameras at the vegetable kingdom and clicked. Flora Photographica, Masterpieces of Flower Photography admirably believes what could sound a slightly dusty title - that if you have momentarily forgotten such ripe masterpieces of kitsch as Bert Stern's portrait of Marilyn Monroe clasp ing huge roses to her naked breasts. An Arts Council touring exhibition, *Flora Photographica* is at the Serpentine Gallery in Kensington until 30 September.

What we find is some 100 photographs which add up to a survey of the uses of flowers in photography, from the pioneers of the last century until the present day. It includes pictures by many of the best known names of photography, ancient and modern, from Fox Talbot, Robert Fenton, and Julia Margaret Cameron, to Cecil Beaton, André Kertész, Edward Steichen, and Robert Mapplethorpe.

The exhibition is divided loosely according to the different types of flower photography. It shows how photography became part of the tools of the botanist, though not without early opposition from the botanical illustrators, alarmed at the prospect of this devilish invention elbowing its way on to their patch.

Nonetheless, botanists soon added cameras to their exploration kit. One of the funniest photographs in the show is an unknown botanist's record of an extraordinary plant in Sumatra, towering some 10 ft tall and descriptively named *Amorphophallus Brookesii*.

Many photographers took up the challenge of emulating the achievements of the immortal Pierre-Joseph Redouté and the great Dutch floral artists. In black-and-white, the effect was obviously rather odd. Texture was hard to convey, so that peaches in Robert Fenton's late studies, could resemble bread-rolls or suede.

However, there are also many lovely studies such as those by the Alinari Studios. Nor was photography less able to capture the kinds of association which the Dutch masters achieved. Edward Steichen's studio arrangement of roses, caught



Hypnos by Frederick Holland Day (c. 1895)

at the moment when they start to exhale the aura of decay, conveys the foreboding of a Frenchman in 1914.

Death, oblivion, virginity, fragility, fruitfulness, and vice... The associations of flowers are wonderfully rich, and as this fascinating exhibition shows, over the past 150 years photographers have crossed the same ground over and over again, exploring what the Victorian founding fathers of their craft called the language of flowers.

For a still more extensive survey, you need the elegant book by the originator of the exhibition, William A. Ewing, *Flora Photographica*, Thames and Hudson, 223pp, £25.

*Flora Photographica* is sponsored by BT. It will move to the Royal Botanic Gardens in Edinburgh (3 October-22 November), then to Manchester (28 November-17 January) and Coventry (23 January-7 March).

## Love's labour's well spent

Andrew St George enjoys a production in Manchester

WILLIAM Hazlitt kept *Love's Labour's Lost* in a fitful exile from the stage by saying: "If we were to put with any of the author's comedies, it should be this." The Royal Exchange Theatre Company has called this difficult play back to life in a simple new guise. The mood is everything: winter or spring. But this production is too sombre for force, and too light for a meditation.

The 1594 *Love's Labour's Lost* is no frothy comedy. The cost of countering Hazlitt was a modish search for the gloom in the play. Peter Brook's 1946 Royal Shakespeare Company revival found out the seduceness and compromised the mirth, making Don Armado a faded Grandee rather than an Andalusian Falstaff. Modern productions know that the frozen laughter at the end

should start to chill even in the first scene. James Macdonald's production opens on a circular grass field; the four men arrive to begin their celibate retreat. All parts, but Berowne's are a little flat, like a bell in a peal, to strike and then fall silent again. The women arrive, and the "civil war of wits" begins.

The characters are surprisingly cruel with each other, a fact that the direction fails to exploit. The women mock and the men bluster; the pedants look pathetic; and the token foreigner, the faded Don Armado, everywhere finds his whole thing off at the end, and must make this look plausible.

Don Armado is ingenuously and finely played by Bernard Bresslaw. He has that "mint of phrases in his brain", but lacks the discipline of an exchange rate mechanism, for he, like

everyone else in the play, is hell-bent on the conspicuous consumption of words: "I am for her, volumes in folio."

The other wordsmiths, the pedants, Holofernes (David Ross) and Sir Nathaniel (Roger Delve-Broughton) are a quidditative delight, all intellectual ostentation met with smirking admiration. Linus Roache as Berowne spinning "taffeta phrases and silken terms precise" keeps the action moving by the energy of his verse-speaking.

But the women, ably led by Patricia Kerrigan's arch Queen, could be cooler and less flighty, since they call the whole thing off at the end, and must make this look plausible. Their ambassador is the "honey-tongued" Boyet (John Bennett), inward with the women and haughty with the men. He needs more attention than Macdonald's direction

gives him; he links the two courts, and his attitude - cruel or playful - makes the mood of the play.

Ace McCarron's lighting, with a lovely change of state at the end, realises that the heart of the play beats in its final lines: "The words of Mercury are harsh after the songs of Apollo. You this way, we that way."

This is a wonderful theatrical moment, about what it means to watch a comedy, especially one that finishes with a death and not marriages. One is elated to think that life is seldom this bad, but dispirited to know that it is rarely this good. Out of this division, for an instant, Shakespeare's ending creates its own community in the theatre.

At the Royal Exchange Theatre, Manchester (061) 833 9833, until October 17

## Lovely modern Vienna

THE 1992 Promenade Concerts come to an end tonight, and the best was kept almost to the last. There is no doubt that Pierre Boulez's concert with the Vienna Philharmonic on Thursday was the season's outstanding event, and in many ways its most unlikely one: who would have imagined, even five years ago, that the Vienna Philharmonic, conservatory of the world's great orchestras, would come to the Albert Hall with a programme entirely composed of 20th-century works, including a piece by Boulez himself?

In their first of their proms on Wednesday, the orchestra had been heard on more familiar territory, conducted by Claudio Abbado in Haydn's *Military Symphony* and Mahler's *First*. By the Vienna's exalted standards that had been a run-of-the-mill affair. Slicked down, big-band Haydn, without a crescendo out of place and everything confined within a narrow, middling dynamic range, was followed by Mahler in which the sum of the beautifully executed parts - luscious, refined string tone, crystalline, characterful wind solos - offered little more than the sketchiest portrait.

Abbado is too perceptive a conductor to be uncaring or meretricious but this seemed nowhere close to the searching, gritty texture of his finest London performances, which promised to set new standards for Mahler interpretation.

All such disappointments were vanquished the following evening. Boulez is not the first conductor to bring contemporary music to the Vienna Philharmonic; Abbado's own activities when he was the orchestra's musical director included the inauguration of the Wien Modern festival, to which the Philharmonic was called upon to make a contribution.

Yet the exceptional standards produced here in works that surely are no part of their regular repertoire - had the kind of presence and authority they conventionally bring to the classical staples. It was overwhelmingly convincing.

Boulez too seemed galvanised by the occasion. The vivacity that launched the orchestra into Stravinsky's *Chant de Rossini*, handling together all its false strident, teasing out the lyricism, was at the opposite pole from the tender care with which Debussy's *Nocturnes* were unveiled. Its layers of strings peeled away to reveal yet further perspectives, further exquisite detail.

The Vienna wind were outstanding through the evening; they came into their own in Bartók's *Miraculous Mandarin*, long one of Boulez's most uncompromising performances, with surreal clarinet solos, tumescent trombones, and hard-reeving trumpets, the whole thing propelled on a writhing body of string tone.

Boulez's own *Livre pour cordes* demands that same kind of high tensile strength. It is one of the most concentrated of his orchestral works, full of proliferating lines, dense, unrelenting, explosive pizzicatos. Here it emerged as an immensely passionate piece, bursting with lyrical strength and woven out of rapturous string cantilenas. Concerts like this need to be treasured.

Andrew Clements

## The good, the bad, the artistically free

Time flies for Nigel Andrews, as a vintage Venice Film Festival moves towards its close

IF a large bomb had dropped on Venice's Lido last Sunday, it might have wiped out European cinema. Some 50 famous filmmakers converged on the festival island to take part in a talkathon about artistic freedom. All day long, in several languages, they jawed and jawed or earnestly listened: the Rosi, Taverniers, Jordans, Costa-Gavras; even Sean Penn as Hollywood's envoy, wearing UN-style headphones and a look of dazed mental overload.

But artistic freedom, as film festivals teach us, is a mixed blessing even when available. The worst Venice movies, as we approach Golden Lion hour, have been cinema's equivalent of free verse or tennis without a net. Peter Handke's *Absence* from Germany won the international walkout prize, with its audience-scattering tale of four travellers journeying through a series of enigmatic landscapes and incomprehensible "poetic" dialogue scenes.

Luis Puenzo's *The Plague* came a close second, with its OTT Camus update, transposing poor Albert to a South America of juntas, rats and overblown co-production dialogue. William Hurt, Sandrine Bonnaire and Robert Duvall are among those going down with the ship, shortly after it is voted by the rodents.

The best films at Venice have been those that stood up, fastened their top shirt-buttons and played by the rules. Daniel Bergman's *Sunday's Child*, scripted by father Ingmar, is an immaculately-laureled memory trip from the screenwriter who gave us *Best Intentions*. Time, 1928; here, an eight-year-old Ingmar already learning about death, feuding with his pastor father and wondering why his older brother Dag's shadow is shortly after Dag has been looking at artistic photos of nude women.

Visually, the film has the summer-kissed beauty of *Elvira Madigan* and even borrows its star Thommy Berggren to play Ingmar's Dad. But like *Best Intentions*, it conceals torments inside the nostalgic trappings. The father-son quarrel is emotionally amplified by a daring flash-forward in mid-film - to Papa's deathbed in 1988 - and by an inspired story within a story about a demon-possessed watchmaker. This eerily symbolic sequence allows Ingmar's own son Daniel, in his feature directing debut, to ape the Master at his grand guignol best.

The two other palpable hits at Venice were Sally Potter's *Orlando* from Britain and Zhang Yimou's *The Story Of Qiu Ju* from China. The prospect of Potter's film had me quailing. A feminist filmmaker hitherto known for such aesthetic torture sessions as *The Gold Diggers* (Julie Christie going gnomie in the Yukon) here adapts Virginia Woolf's ur-feminist novel about a sex-changing, century-hopping adventurer. But *Orlando* the movie is so lightfooted that it skates - literally in the early Elizabethan scenes on a frozen Thames - over both the rigid tuncras of message cinema and the thin ice of picaresque allegory.

Traversing 400 years, we meet Quentin Crisp as Elizabeth I, Ned Sherrin as Dr Johnson, and John Wood, Dudley Sutton and Heathcote Williams

as assorted historical crazies; we warm to Tilda Swinton's hero(ine) with her perpetual sunrise look of intelligent surprise; and we applaud the witty, jewelled, picture-book tableaux, which borrow a leaf or two from the Greenaway book of period recreation. Where Potter's film took Venice by surprise, the entire population of Italy seemed to be in the queue for Zhang Yimou. Trailing prizes and flurries of controversy for *Red Sorghum* and *Raise The Red Lantern* (banned in China), Yimou now startles us with a film that seems like a piece of party-line folk propaganda. *The Story Of Qiu Ju* is the simple, dimpled tale of a peasant woman who seeks justice after her husband is kicked in the testicles (sic) by the village headman.

Off she traipses to find that justice, selling more of her modest farm produce (chilli peppers) the further she has to go on each expedition (village, town, Beijing). Let us add that she is worthily pregnant; that

ing into song all over 1939 Soviet Russia, as if F. Lehar had been appointed Kremlin composer by J. Stalin. Lots of newsreel-plundered parades set to stirring march tunes; lots of interchangeable male leads warbling at our heroine, a beautiful aristocrat with an eye patch and a champagne bottle permanently tilted throatwards.

I could not work out if this film was meant to be serious. Mind you, it was not the sole contender in the mad hatter stakes. Compare Italy's *The Mines Of Sulphur*, concerning the sex habits of Sicilian miners, and China's *Blood Morning*, which is Marquis's *Chronicle Of A Death Foretold* dramatised in multi-decadel Mandarin.

There was always America. There always will be America. If Venice's Hollywood-friendly new festival director Gillo Pontecorvo is to be believed, though none of the US films is a Golden Lion favourite, nearly all set audiences purring. Brian De Palma's riotous thril-



Jack Lemmon heads a sensational cast in *Glengarry Glen Ross*

the film is shot plainly without any of Zhang's subversive canny flourishes, that the whole thing reeks of Chinese political correctness.

Astonishingly it still works. Any sermonising on the virtues of Chinese law or the steadfastness of the country's peasantry is gradually upscreened by the story's comic setbacks and ironies - even legal satisfaction brings fresh mishaps in its wake - plus the ungratifying strength and charm of Gong Li's performance. And if Yimou is on a tight stylistic rein, he still composes like a master. The multi-layer shots place the potentially preachy tale inside a larger, vibrant fresco of human life.

In Otar Ioseliani's *La Chasse Aux Papillons*, a pair of white Russian sisters living in a French chateau are overrun by will-seeking relatives and property-seizing Japanese. The medium is the message: a Paris-based Georgian director makes a comedy about the world becoming a diaspora culture.

In Ivan Dichovichny's endearingly dotty *Moscow On Parade* characters keep burst-

ler *Raising Cain* I wrote about last week. Keith Gordon's *A Midnight Clear* sets William Wharton's anti-war tale in a poetically snow-furried 1944 Ardennes.

Don Scardino's *Me And Veronica* is a tangy, rough-weave comedy about two sisters (Elizabeth McGovern, Patricia Wettig) coping with love and death in the Philadelphia boondocks. And *Glengarry Glen Ross* is only a filmed play, but what a play (by David Mamet) and what a piece of filming (by James Foley).

Jack Lemmon in person took the audience cheers at Venice, for his playing of Mamet's seedy real-estate salesman caught with fingers in till. But the whole cast is a sensation, from Alec Baldwin and Ed Harris in the barnstormer roles to Al Pacino weaving hilarious inflections around Mamet's poker-faced staccato recitative. I looked at my watch at the end, astonished that 100 minutes had gone by.

But then I am looking at my watch again now, astonished that a vintage Venice festival has gone by, with only 36 hours, three films and a bunch of prizes to go.

ON MONDAY morning, I reckoned I had stayed too long with Classic FM's debut - there was nothing amiss with the broadcast, but it lacked variety. The trail of short classical-music extracts, mostly familiar, had no theme. Yet reflection reveals this as intrinsically an advantage, for the new classical music channel is not to be thought about, simply listened to. If I had been driving, I might have liked it; though, then I could not have entered the mini-

competitions that peppered the morning. There was news hourly, on the hour, a racing tip, relatively few commercials. Henry Kelly's chatty presentation is not my cup of tea, and his announcing less informative than the BBC's. At midday he gave way to Susannah Simons, not so consciously unsophisticated. She had a brief everyday talk with Jeremy Isaacs about programming and casting at Covent Garden.

Subsequent mornings have tended to follow a similar pattern; we may settle down. My

main complaint is one's ignorance of what is coming, though the *Radio Times* gives an outline of the programmes.

On Sunday, Sir Roy Strong's fiery first of four talks on Radio 4 about *Ministering to the Arts* recalled, among much else, how the Arts Council's missionary fervour under Keynes, and Jennie Lee as the first arts minister, subsided into later policies of official restriction rather than encouragement.

The Arts Council, under a Tory squeeze nobly restrained by Lord St John of Fawley, had to slide support over to new Regional Arts Associations, each £1 of bounty required to be matched by £1 of local authority's. Other things being equal, Sir Roy reckoned that David Mellor at the department of the national heritage might prove likely to boost the government's concern with arts welfare. Meanwhile, he still has much to tell us.

Radio 3 this week marks the

end of the Proms, the cricket and the drama Summer Season. The drama season included *I always take long walks*, that I spoke for here lately, as the better of Sunday's two plays - a monologue for a keen cricketer's wife (Judi Dench), who finds better things to do than go to his matches. I need say no more, save that Peter Fennell's script is as moving as it is amusing, and Dame Judi's performance beyond criticism. John Tydemann directed.

I do try to enjoy Radio 3's young people's programmes, but it is not easy. On Monday, STARS, adapted by a quartet from Russell Hunter's books, deals with sixth-formers and their families. The first instalment (of 20) told us who they are and how they live. Plot was signalled at the end. Dexter Fletcher plays the lead, direction is by another quartet.

Then came a reading of Anne Fine's *Crummery Humpty and Me*, a schoolgirl's diary of life with her slapdash Mummy

and respectable Gran. Mummy's boyfriend is called Crusher Maggot, and a drama arising when she dyes her hair royal blue - solved when rain washes the dye out. They all came back each night of the week. I did not.

Young people of another kind are only in the title of Radio 4's *Frenchman's Desire Good Children* on Wednesday, a tour round the French quarter of New Orleans. Some folk

declared it the most desirable place on earth, some thought it shabby. The Italians were taking over, complete with Mafia. Amateur female wrestling was on, and "miracle cures" from voodoo priests.

But the good French children were moving away, to Atlanta. There was no presenter, you heard what you heard; and Piers Plowright, the producer, offered no conclusions. "We're not exactly where we started from," said our occasional guide finally, "but this is where it ends," and maybe that is the conclusion. It was fun, yet I doubt if I would find my way on that side of Canal Street.

B.A. Young

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**U**NSEASONABLY chill winds and lashings of rain have not shown London at its best in the past couple of weeks. Even so, it was wise to hear a friend apologising to a visitor from Paris the other day for the existence of a city so thoroughly depressing.

Why do the British indulge in this perpetual self-flagellation when comparing their own capital with that of France? William Davis, chairman of the British Tourist Authority, was at it this week, complaining in his annual report of a litter-strewn, tired and tarnished city. Yet just to mention the word Paris is to trigger eulogies in praise of a supposed earthly paradise.

Guide books, of course, must bear part of the blame. No guide book would ever open with the words: "To be honest, Paris is a bit of a dump, and if I were you I wouldn't bother going there." If it did, nobody would buy it. Instead, the book will say Paris is the world's

## Paris? Been there, done that

Richard Tomkins explains why London leaves the French capital for dead

most wondrous city, and no one who has spent a lot of time and money visiting the place is going to come back and say the emperor isn't wearing any clothes.

And yet, so much nonsense is talked about Paris. Take its legendary beauty. True, Paris has a pretty cathedral, a big arch and an amusing metal tower: but by comparison with London, it is a visual snore. Most of the interesting bits were demolished during the Second Empire by Baron Haussmann, a monomaniacal town planning despot who criss-crossed the city with mile after mile of dreary, soulless boulevards lined with uniform, grey stone facades. The result is a kind of 19th century Milton Keynes.

One of the side-effects of Haussmann's demolition campaign was a displacement of the prosperous classes to new quarters on the city's western boundaries, leaving the central areas to the poor. Properties were divided into ever smaller units as landlords sought to maximise rentals, resulting in the rabbit-hutch style accommodation which so many Parisians now endure.

If only they had gardens, as so many Londoners do, things might not be so bad. Or if only Haussmann had thought to give Paris the equivalent of London's glorious parks. As it is, having neither, Parisians seek to lighten the gloom of their existence through their obsessive ownership of preposterous

toy dogs. These, lacking alternative facilities, leave an estimated 20 tonnes of *déjections* on the city's pavements each day.

Of course, one of the delights of Paris is its compact size. It is tiny compared with London. Given a good pair of wellington boots and a poor sense of smell, it is possible to walk around the city in a day. But just what is there left to do then?

Eating is one possibility. Only a moron, after all, would deny that French cuisine is among the world's finest. Paris, however, is not the place to savour it: the memory of a good meal is more likely to endure with the result that the city is charged with the quality of the food. As for good wine, search in vain: all

the decent stuff goes to Oddbins and Tesco.

After an indifferent meal, it is time for entertainment. Unfortunately, unless you are a cineaste, you are as likely to find it in Kidderminster as Paris. London is leagues ahead in virtually all forms of entertainment, be it drama, classical and contemporary music, dance, opera, fringe theatre, comedy, popular music or the club scene. Other than cinema, the only field in which Paris can claim ascendancy is in cabarets featuring topless dancing girls (most of them English) waving prodigious amounts of feathers.

Indeed, it is hard to imagine what Parisians do in the evening. They

cannot stay in and watch television: it is too unspeakably awful. Their apartments are too small for entertaining. There are no pubs. Usually, one surmises, they end up going to see yet another crackly print of an old Jean Luc Godard film, then spend the next few hours discussing it in some down-at-heel café over a glass of warm lager and 40 Gauloises.

In fairness, Paris does not come out of every comparison badly. It has a lot more art galleries than London. Its young people do not get drunk and roam the streets shouting obscenities. The Métro may be filthy, but it works. Parisians speak much better French than Londoners.

For sheer exuberance, variety and vitality, however, London puts Paris in the shade. Its only real problem is that Parisians know it, and they have been revelled in it for some time. Perhaps there is a case for doing the place down after all.

## Not a happy koala

Michael Thompson-Noel



LONDON 200, more lives than a cat. A few weeks ago it was in such deep trouble that it was going to kill all the animals and turn them into dog food, or fire them off to Mars to launch a new world, or sell them at Christie's or set the dumb things free - there are 27m, if you count all the insects - in their ancestral homes and habitats. Now they have been reformed. The zoo is to stay in business. It believes it can survive - thanks, in part, to a larger numbers of visitors in recent times and to campaigns and gifts, including £1m from my friend and your friend, the Emir of Kuwait.

Sir John Chapple, president of the Zoological Society of London, is as delicious as a woman and has been quoted as describing the zoo as "more than a stay of execution. We have not qualified our decision. The zoo can remain open because of the great efforts of our staff, our friends and the society's fellows."

I was puzzled by that remark. What about the animals? What about their efforts and heroics? So round to the zoo I went. First I spoke to a rhino. Was it true, I asked, that the creatures' lives had

## HAWKS & HANDSAWS

been saved by a miraculous marketing effort and an influx of funds, or was there more to it?

"They've certainly pulled the stops out," said the rhino grudgingly, "but without us they'd be nothing. In the last two years they've tried every management fad on us that you could put a name to. Quality circles. Team briefings. Flexi-working and annualised hours. Multi-disciplinary project teams. Project charters. Cross-functional integration. Vendor networks. Partnership sourcing. Price corridors. Parallel importing."

"Parallel importing?"

"It's something to do with bananas."

"They haven't been cutting your food down?"

"Certainly not," said the rhino. "In fact, they've increased it, in acknowledgement of our workload. I conduct more team briefings than you've had hot dinners. We work flexi-time in the rhino house. Our annualised hours are murder. Our head of the mammalian task force. We cross-functionalise with reptiles and birds - the fish aren't interested, nor are the insects, they're still enjoying communism: they say it works for them - and are starting to vendor network, if you'll pardon my use of the verb form. The saving of London Zoo may have been influenced by your friend and my friend, the Emir of Kuwait, and by the boys and girls in marketing, but the weightiest burden has been shouldered by the animals."

Next I spoke to a zebra. I explained who I was.

"That's a coincidence," said the zebra. "I run our media studies group. I am planning to invite you to be a guest speaker - the man who has the last word in the FT every week."

"What does your group study?"

"The media, stupid. Specifically, how the London media have used every weapon at their disposal - cheque-book journalism, electronic eavesdropping, telephoto cameras, fabricated quotes - to distort and uglify the story of the animals' gallant fight for survival. At one point I thought we were goners. The media's power is horrendous. The checks and balances are inadequate."

"Let me quote from the latest issue of *The Journalist's Handbook*, which runs a quarterly guide to what is permissible under the Press Complaints Commission's code of practice. It says: 'A national daily newspaper carried a story headlined *There are no virgins in Essex*. The story was based on their having received no replies to their request for virgins living in Essex to telephone them. Verdict: no breach of the code.'

"You can see what we're up against. In spite of this week's 'reprieve', we're only a tenth of a pennily off our absolute floor."

"Who else should I talk to?"

"Try that koala."

I asked the koala what he thought of the battle to save London Zoo, and of the deliverance of the creatures. The koala said: "Get stuffed, you rotten pom. I'm under contract to the tabloids."

"You don't sound very happy."

"I offered him a gum leaf."

"Of course I'm not, you blunder. In times of currency turmoil, you know what constitutes the soundest mode of exchange in the international finance? Better than gold or platinum? It's koalas, you know, borrowing skin, in exchange for the Emir's £1m, they're sending me to Kuwait."

**P**OLITICIANS CAN so easily make us cynical. Their addiction to the oxygen of publicity makes them compulsive manipulators: they become dial-a-quote junkies, inveterate photo-opportunists. Their eyes flick anxiously, their lives are frantic, their self-esteem overpowered.

So when a Member of Parliament adopts a good cause the first question most of us want to ask is: who benefits?

Emma Nicholson, MP for Devon West and Torridge, adopted the Shia Muslims of southern Iraq (an area of which she had no previous knowledge) at the end of the Gulf War. Two weeks ago, after errands of mercy and much public agitation in Geneva, London and Washington, she had the satisfaction of seeing George Bush declare a "no-fly" zone south of Iraq's 32nd parallel.

She also adopted - or is fostering - a 10-year-old Iraqi boy, Amar, who was badly burned in the napalm attack that killed his parents and whom she brought to England from a refugee camp in Iran.

Who, in this case, would be so churchish as to ask *cui bono*? I was the churl. Aren't troublemakers irresistible for an MP who wants attention at home? I asked her.

"No," she replied. "In fact I held back because of that. I don't ever mix up aid for people in trouble with magnifying their problems for my benefit."

But there were plenty of people with Middle East experience in the House of Commons. Why should you jump in? You could be accused of opportunism.

"No. No, because being a do-gooder is basically very boring for other people. It's not glamorous. It's very dull. People turn away. 'Oh! how boring,' they think. 'At it again!' I'd already begged from my colleagues to adopt a Romanian orphanage."

"No, it couldn't have been more boring. In the middle of the Gulf War I merely got up and asked the Foreign Secretary what we were going to do about the victims afterwards. Couldn't be more boring for colleagues. To my enormous surprise I got a very positive reply."

She denied that she is a publicity-seeker. "It's always nice to hunt rotten eggs, and politicians are the modern world's Aunt Sallys." She even claimed to be wary of interviews, especially with women reporters, who, she claimed, did their damndest to pervert the result. "I always try to help other women. I find this incomprehensible."

Why do they do it? "Career advancement for themselves. Desire to be cleverer than the person they are interviewing. I think the only sadness I have about my sex is that they are constantly sour, and scratch another woman where it hurts."

Emma Nicholson is a large, good-looking Tory lady. Her voice would be described as plummy were it not for a metallic timbre, the only clue to her serious deafness. She has an imperious manner and it is easy to picture her playing Lady Bountiful to the rattle-tangle refugees of Iraq and jousting with those charming Iranian officials ("We have lot of fun. A lot of intellectual fun...").

Is there another, softer Emma Nicholson beneath the well-gazed



Private View/Christian Tyler

## The hard shell of Tory mercy

Tory MP Emma Nicholson has adopted the cause of Iraq's Shias. What made her do it?

She was born into a God-fearing political family, a good musician who got as far as the Royal Academy of Music before being frustrated by deafness. She was educated by Anglican nuns at St. Mary's, Wantage. In her twenties she chose to live as a celibate career girl, first in computer software for ICL, then in consultancy, then as a fundraiser for Save the Children before realising her real ambition, to enter Parliament.

She was 45 before she made it. In the same year, 1987, she regularised a relationship with Michael Caine, the 60-year-old chairman of Booker (of Booker Prize fame), marrying him when his own 35-year marriage was dissolved. They depend on earned income and are not spectacularly rich: the Booker chairman's salary last year was £72,000. Nicholson kept her own name and although her husband was knighted a year later she refuses to answer to "Lady Caine".

That does not stop some constituency critics accusing her of playing the *grande dame*, alienating local farmers and rarely showing her face. (It was this same fault in Margaret Thatcher that prompted Nicholson to shift her allegiance to Michael Heseltine.) She claims that most of her constituents understand and share her concern for the Third World.

Don't people come up to you and say 'What are doing with all these bloody Muslims? I've got a problem with my cowshed'?

"They don't use the word Muslim. They call them foreigners." Political opponents attacked her in this way, and it upset her.

Your constituents might find it difficult to understand your interest in the Shias and Iraq. Don't you think their regime is crazy?

"There are worse things in life than living under a fundamentalist religious regime - such as being next door under Saddam Hussein. Actually I think apartheid is worse. I've never been able to visit South Africa in my whole life. That for me is the bottom line of human degradation. Because at the end of the day you can change your religion."

You think religious restraints are more acceptable than others?

"They certainly seem to be restraints that many societies actively seek. There's little to choose between the fundamentalist religionists in Iran and the nuns in Wantage. It's just the other side of the coin."

*Pro bono publico* could be the motto on Nicholson's escutcheon. "Papa was an MP. Mama was deputy chairman of Dr. Barnardo's. When I went with Papa on his rounds I saw the rough edges of British life."

She remembers one children's

home in particular. "They were grotesquely handicapped, in the days before abortions [Nicholson is pro-abortion]. They were ruled over by a very kind, very bossy lady. I remember clearly standing beside a child who was grotesquely deformed, poor little thing, who was actually much older than me but the same height as me, and thinking: My God I'm lucky! I've got to do something for these people."

Then why didn't you join the Labour Party?

"Because they would ruin the country. They're based on an economic and social theory which mercifully has been discarded. Socialism was dug in in the mid-seventies. That's why I put my name forward. I couldn't bear to stand on the sidelines any longer with red-blooded Socialism in the saddle."

Nicholson would not accept that her own deafness motivates her good works: she would not even allow me to call it a handicap. "It's no worse than having to wear glasses," she said. "Society's reaction is still odd, a mixture of prurience and embarrassment."

Why did you forego marriage and children of your own?

"I meant not to get married. I made that decision in my early twenties."

What put you off?

"The need to explore the world, what talent I might have... I thought no one would marry me who would be willing to accommodate that."

Was it the quality of men you met?

"They were perhaps not big-hearted enough for me. Michael minds very much about everybody."

What kind of men did you meet? Computer programmers?

"No. Not much. Really the smart crowd."

Debs' delights?

"Yes, and they weren't my style. Chisness wonders?"

"Yes, and even some with chins. They were very nice, but they weren't me. I don't think I was them either."

No, I agreed, I should think you frightened the pants off them. She laughed.

Do you like the picture of yourself as the intrepid woman in mosquito-infested parts of the globe? And showing off the photos afterwards?

"No. That is because I'm a woman. Because I always know that I'm too fat. I'd much rather never see another photograph of myself ever again anywhere. I always say: 'My goodness me! I wish I was slimmer or prettier.'"

Did you ever wish you were a man?

"I certainly think it would have

been a lot easier for me to be a man, without any doubt at all. But I am a woman, and not a man dressed up as a woman."

When finally I asked Emma Nicholson to confess to her ambition, she was cagey again. Colleagues say she is disappointed not to have got much further. I suspect that if she is passed over at Westminster she will try her hand in the bigger theatre of Europe.

Was there anything else?

"I would dearly love to be a Fellow of the Royal College of Organists. I love playing the organ. And now that I've had my hearing corrected, there's nothing to stop me."

Why the organ?

"I love church music; my favourite composer is Bach. I'm not really an instrumentalist."

And of course the organ makes a big noise, I said.

"Yes. It's enormous fun. Pull out all the stops. Great fun. Great, great fun. You can even drown the vicar."

She snorted like a schoolgirl.

Ambition, compassion, public duty and party politics are, I think, all one to Emma Nicholson. She comes from a background where "serving" and "ruling" are not distinguished. Agreeable as she is, I could not warm to her public persona. And perhaps this is the real weakness of our politicians: they are terrified of letting us see the human being within.

**F**EW PEOPLE begin a political career at the age of 70. But Jakob, Count von und zu Eltz, has good reasons for throwing himself into the electoral fray as he did in July when he campaigned for, and won with a resounding majority, the Vukovar seat in the Croatian elections. He wants to go home.

Not that the count is a refugee from the fighting in what used to be Yugoslavia: nor, as the owner of large estates on the Rhine and a medieval castle on the Moselle, is he suffering from the material hardship afflicting so many of those displaced by the war.

However, for this German aristocrat, home is in Croatia, specifically Vukovar, the town on the Danube that was taken and occupied by Serb forces in November last year.

Born in 1921, Count Jakob was brought up in an 18th century manor-house in the centre of the town, the principal residence of the Eltz family since 1753. He left in 1944, returning only in 1989 when it looked as though Yugoslavia was returning to democracy. He entered into negotiations for the return of the ancestral property, but his hopes were dashed by the outbreak of civil war.

The mansion, preserved intact through the centuries, was destroyed late last year by Serb

## A home in the war zone

militia. The count's poster for his election campaign displays pictures of the mansion before and after the destruction. His slogan was "Home Together". His mission is to rebuild the house, to bring the exiled Croats back to Vukovar.

"I wouldn't have taken the trouble to get myself elected," he says in impeccable English learnt from his Irish nanny, "if I didn't genuinely believe that this was possible. This is my main political message. You have to be convinced that we are going to go back, and we are going to rebuild. If we resign ourselves to what has happened, if we give up hope, the Serbs will have achieved what they wanted, and the Croats will have been driven out of Vukovar for good."

The Eltz family's connection with the town dates to the time when an ancestor helped the Holy Roman Emperor expel the Turks from the area. As a reward, he was allowed to buy the town, 23 villages, 200,000 acres of land and 31,000 serfs for the sum of 175,000 gold thalers. Thereafter, successive counts administered the estates on a feudal basis, taking responsibility for roads, bridges, schools, the judiciary, police, the

health system and the churches. By the time Count Jakob was born, serfdom had been abolished and the estate encompassed a mere 20,000 acres. His father died when he was a child and Count Jakob grew up in what he describes as

*David Waller meets the exiled Croatian count who holds the seat of Vukovar*

"fairly modest style."

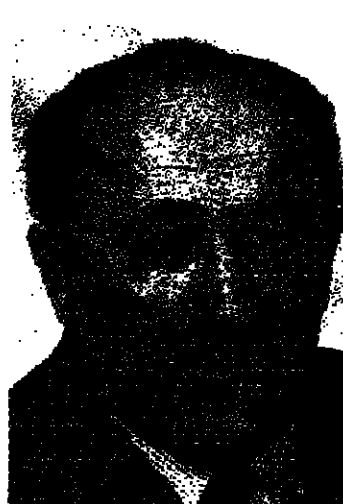
Like his forebears, he spent most of the year in the Vukovar mansion, its lawns stretching down to the Danube, only going to Germany in the summer when he would stay on his Rhineland estates, the most magnificent of which is the Burg Eltz in the Moselle. This many-towered castle set on a rocky cliff was built by the count's ancestors in the 12th century and is one of Germany's most popular attractions.

His treasure chamber bears witness to the Eltz family's involvement in German history through

the centuries. A picture of the Gothic pile is on the back of today's DM500 note. But the count, a fluent Croat-speaker, has always felt himself more Croatian than German, a feeling intensified by exile.

He was forced to leave Vukovar shortly after the outbreak of World War Two. But for a fleeting visit shortly before Russian troops arrived in late 1944, he did not return for 46 years, when he started a succession of visits to the old family home. After the civil war broke out, each trip became more dangerous than the last.

"I visited Vukovar a number of times in early 1991," he says. "The last time I managed to get there was when the siege of the town had begun. We had to break through the ring to get food and medical supplies into town. I must admit I felt quite foolish. Here I was, an old man, my pockets full of Mills' bombs and a sub-machine gun around my neck. This, fortunately, I did not have to use. I did, however, draw heavy artillery and rocket fire on to my humble person." The experience, he admits, gave him quite a nostalgic feeling: he had not been under such heavy fire since his



Count Jakob: historic ties

days in the Wehrmacht during World War Two.

Since then, his adventures have been political rather than military. He has thrown himself behind the Croatian cause and won his seat in the parliament in exile as an independent candidate. "I can do more as an MP," the German aristocrat bellows down the phone to a well-wisher congratulating him on his success, "than as a mere count." He says he wants to impress on the government of Croatia that the

north-easternmost part of Croatia, where Vukovar is located, should not be forgotten.

His views on the complex situation are informed by a deep knowledge of the history of the region - and by a deep hatred of Serbs. "There is absolutely no historical foundation for the Serbian territorial claims at all," he declares, before launching into a tirade of abuse against the Serbs.

His views on the United Nations involvement in the region are hardly more temperate. "The presence of the blue-helmets (UN troops)," he claims, "has not helped to ameliorate the situation. They are openly favouring the Serbs and frequently aiding and abetting the 'ethnic cleansing' programme."

"The count draws solace from an episode in the family's history. In the 14th century the Elector of Trier raised a siege against Burg Eltz, building a small tower on a neighbouring hill with the aim of raining missiles on to the knights of Eltz. The tower is now a ruin, a source of satisfaction to Count Jakob. "Burg Eltz belongs to me, but where is the Elector now?" he chuckles.

All the Eltz family had to do was sit and wait for a decade or two. The same patience underlies the count's determination that the family will once more go home - to Vukovar.